
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 2005 together with comparative amounts for the corresponding period in 2004. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2005	2004
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
TURNOVER		237,003	196,383
Cost of sales		(174,171)	(136,200)
Gross profit		62,832	60,183
Other revenue and gains	4	10,553	4,692
Selling and distribution costs		(36,946)	(39,271)
Administrative expenses		(50,278)	(52,130)
Other operating expenses		(1,465)	(7,113)
Finance costs	5	(3,304)	(4,048)
Share of profits and losses of associates		(263)	(344)
LOSS BEFORE TAX	6	(18,871)	(38,031)
Tax	7	(1,053)	(1,437)
LOSS FOR THE PERIOD		(19,924)	(39,468)
ATTRIBUTABLE TO:			
Equity holders of the parent		(20,008)	(39,595)
Minority interests		84	127
		(19,924)	(39,468)
Transfer from leasehold land and building revaluation reserve to accumulated losses		—	1,819
LOSS PER SHARE	8		
Basic		1.31 cents	2.60 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		222,057	260,587
Prepaid land premiums/land lease payments		2,282	2,320
Investment properties		117,922	82,160
Properties under development		14,003	74,380
Interests in associates		61,597	61,936
Available-for-sale investments/ Long term investments	9	167,093	167,093
Deposit for purchase of a property		56,299	56,299
Long term portion of mortgage loans receivable		782	808
Deferred tax asset		6	6
Pension scheme asset		619	619
		642,660	706,208
CURRENT ASSETS			
Lease premium for land		58	58
Investments at fair value through profit or loss/Short term investments		33	33
Inventories		74,054	75,565
Trade receivables	10	78,202	80,019
Prepayments, deposits and other receivables		36,813	43,139
Current portion of mortgage loans receivable		51	51
Tax recoverable		—	680
Cash and cash equivalents		49,233	67,014
		238,444	266,559
Non-current assets classified as held for sale	12	151,510	—
		389,954	266,559

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	11	62,376	64,352
Other payables and accruals		73,562	81,173
Bank and other borrowings		96,532	103,588
Current portion of finance lease payables		417	403
Tax payable		74	—
		232,961	249,516
Liabilities directly associated with non-current assets classified as held for sale	12	127,218	—
		360,179	249,516
NET CURRENT ASSETS		29,775	17,043
TOTAL ASSETS LESS CURRENT LIABILITIES		672,435	723,251
NON-CURRENT LIABILITIES			
Bank and other borrowings		26,778	28,642
Long term portion of finance lease payables		802	977
Deferred tax liabilities		6,341	6,341
Other payables		3,268	32,596
		37,189	68,556
		635,246	654,695

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
CAPITAL AND RESERVES		
Equity attributable to equity holders of the parent		
Issued capital	153,297	153,297
Other reserves	1,031,178	1,016,791
Accumulated losses	(540,703)	(520,695)
Amount recognised directly in equity relating to non-current assets classified as held for sale	(13,912)	—
	629,860	649,393
Minority interests	5,386	5,302
	635,246	654,695

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Total equity at 1 January:		
As previously reported as equity	649,393	811,887
As previously reported separately as minority interests	5,302	3,533
As restated	654,695	815,420
Changes in equity during the period:		
Exchange differences on translating foreign operations	475	156
Net income recognised directly in equity	475	156
Net loss for the period	(19,924)	(39,468)
Total recognised income and expense for the period	(19,449)	(39,312)
Exercise of share options	—	1,081
Total equity at 30 June	635,246	777,189
Total recognised income and expense for the period attributable to:		
Equity holders of the parent	(19,533)	(39,510)
Minority interests	84	198
	(19,449)	(39,312)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	3,820	(30,520)
Net cash inflow/(outflow) from investing activities	(7,522)	56,228
Net cash outflow from financing activities	<u>(9,431)</u>	<u>(34,360)</u>
Decrease in cash and cash equivalents	(13,133)	(8,652)
Cash and cash equivalents at beginning of period	<u>67,014</u>	<u>58,693</u>
Cash and cash equivalents at end of period	<u><u>53,881</u></u>	<u><u>50,041</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	49,233	52,765
Bank overdrafts	—	(2,724)
Cash and bank balances included in non-current assets classified as held for sale	<u>4,648</u>	<u>—</u>
	<u><u>53,881</u></u>	<u><u>50,041</u></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”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sales and Discontinued Operations
HK(SIC)-Int 21	Income Taxes - Recovery of Revalued Non-depreciable Assets
HK-Int 4	Lease - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, HKFRS 2, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) *HKAS 17 - Leases*

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated profit and loss account and accumulated losses. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(b) *HKAS 32 and HKAS 39 - Financial Instruments*

In prior periods, the Group classified its investments in unlisted equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses. The Group's short term investments in listed equity securities held for trading purposes were stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Changes in fair values of the short term investments were recognised in the profit and loss account for the period in which they arose.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(b) *HKAS 32 and HKAS 39 - Financial Instruments* (continued)

Upon the adoption of HKASs 32 and 39, the Group's long term investments are classified as available-for-sale investments and short term investments as investments at fair value through profit or loss. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Investments at fair value through profit or loss are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(b) *HKAS 32 and HKAS 39 - Financial Instruments* (continued)

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

This change in accounting policy has had no effect on the condensed consolidated profit and loss account and accumulated losses. In accordance with the transitional provisions of HKASs 32 and 39, comparative amounts have not been restated.

(c) *HKAS 40 - Investment Property*

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

In accordance with the transitional provisions of HKAS 40, the Group has adjusted the effect of adopting the standard to the opening balance of accumulated losses rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(d) *HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets*

In prior periods, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

As the goodwill carried by the Group had either been fully amortised or impaired as at 1 January 2005, the adoption of HKFRS 3 has no significant financial impact of the Group's financial statements.

(e) *HKFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*

HKFRS 5 introduces the new classification "held for sale". An entity shall classify non-current assets as held for sale (or disposal groups) if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset and are stated at the lower of carrying amount and fair value less costs to sell.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(e) *HKFRS 5 - Non-current Assets Held for Sale and Discontinued Operations* (continued)

In prior periods, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities.

The Group adopted HKFRS 5 from 1 January 2005 prospectively in accordance with the standard's provisions. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use. The adoption of HKFRS 5 has no significant financial impact on the Group's prior-year financial statements other than a change in the presentation of non-current assets (or disposal groups) held for sale on the face of the balance sheet.

2. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the opening adjustments are summarised as follows:

	Investment property revaluation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Effect on opening balance at 1 January 2005 HKAS 40			
Surplus on revaluation of investment properties	(13,557)	13,557	—
Total effect at 1 January 2005	<u>(13,557)</u>	<u>13,557</u>	<u>—</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. 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 marble and granite segment engages in the processing and sale of marble and granite;
- (c) 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;
- (d) the fuel segment engages in the manufacturing and trading of fuel; and
- (e) the "others" segment comprises, principally, the trading of steel products, the sale of crushed stone and the trading of marketable securities.

Intersegment sales and transfers are transacted at mutually agreed terms.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segment information (continued)

The following table present revenue and profit/(loss) for the Group's business segments.

	Paint products		Marble and granite*		Property investment		Fuel*		Others		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	202,484	158,149	89	4,015	2,365	2,033	1,839	11,575	30,226	20,611	—	—	237,003	196,383
Intersegment sales	48	48	—	—	2,869	3,537	1,641	—	—	—	(4,558)	(3,585)	—	—
Other revenue and gains	1,788	2,434	106	39	3,714	3	—	101	4,727	1,849	—	—	10,335	4,426
Total	204,320	160,631	195	4,054	8,948	5,573	3,480	11,676	34,953	22,460	(4,558)	(3,585)	247,338	200,809
Segment results	2,136	3,735	(2,320)	(13,378)	2,942	481	(2,379)	(1,023)	1,699	(4,404)	2,848	1,329	4,926	(13,260)
Interest income													218	266
Unallocated expenses													(20,448)	(20,645)
Finance costs													(3,304)	(4,048)
Share of profits and losses of associates													(263)	(344)
Loss before tax													(16,871)	(38,031)
Tax													(1,053)	(1,437)
Loss for the period													(19,924)	(39,468)

* As disclosed in the Company's 2004 annual report, on 20 April 2005, the board of directors approved the discontinuance of the marble and granite business and the fuel business. During the six months period ended 30 June 2005, the Group leased out the factory and certain plant and machineries of the marble and granite business to an independent third party and was selling the remaining inventories of these businesses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other revenue and gains

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest income	218	266
Revaluation surplus on investment properties	938	—
Others	9,397	4,426
	<u>10,553</u>	<u>4,692</u>

5. Finance costs

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	3,277	4,013
Interest on finance leases	27	35
	<u>3,304</u>	<u>4,048</u>

6. Loss before tax

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Cost of inventories sold	174,171	136,200
Depreciation	8,834	10,181
Provision for bad and doubtful debts	136	40
Provision for inventories	708	2,754
Amortisation of an intangible asset	—	664
Amortisation of goodwill	—	3,620
	<u>183,809</u>	<u>153,419</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Current - Hong Kong	—	17
Current - Elsewhere	1,053	1,983
Deferred	—	(563)
Tax charge for the period	<u>1,053</u>	<u>1,437</u>

Share of tax credit attributable to associates amounting to HK\$209,000 (2004: HK\$64,000) is included in "Share of profit and losses of associates" on the face of the condensed consolidated profit and loss account.

8. Loss per share

The calculation of basic loss per share is based on the net loss attributable to equity holders of the parent for the period of HK\$20,008,000 (2004: HK\$39,595,000) and the weighted average of 1,532,970,000 (2004: 1,521,481,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2005 and 2004 have not been shown as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Available-for-sale investments/Long term investments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Unlisted equity investments		
Cost	249,376	249,376
Less: Provision for impairment	(82,283)	(82,283)
	<u>167,093</u>	<u>167,093</u>

Available-for-sale investments/Long term investments are unlisted ordinary shares and therefore have no fixed maturity date or coupon rate. They are stated at cost less impairment losses because their fair values could not be reliably measured as at the balance sheet date.

10. 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.

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

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Within three months	65,796	68,195
Four to six months	5,367	5,788
Over six months	19,850	18,711
	<u>91,013</u>	<u>92,694</u>
Less: Provision for doubtful debts	(12,811)	(12,675)
	<u>78,202</u>	<u>80,019</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Trade and bills payables

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

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Within three months	51,364	51,204
Four to six months	4,733	1,767
Over six months	6,279	11,381
	<u>62,376</u>	<u>64,352</u>

12. Non-current assets classified as held for sale

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Non-current assets classified as held for sale		
Properties under development	112,579	—
Fixed assets	136	—
Cash and cash equivalents	4,648	—
Prepayments, deposits and other receivables	34,147	—
	<u>151,510</u>	<u>—</u>
Liabilities directly associated with non-current assets classified as held for sale		
Other payables and accruals	127,218	—
	<u>127,218</u>	<u>—</u>

On 6 June 2005, Dongola Holdings Limited, a wholly owned subsidiary of the Company, has entered into a sale and purchase agreement (the "Agreement") with an independent third party for the sale of the subsidiaries which were engaged in a property development project in Dalian. According to the Agreement, the sale is expected to be completed by the end of 2006 after all consideration is received. Further details of the transaction are also set out in a circular of the Company dated 4 July 2005.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Reserves

	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 reserve (Unaudited) HK\$'000	Reserve fund* (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Reserves relating to non-current assets classified as held for sale (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2005												
As previously reported	701,316	6,171	248,168	42,235	13,557	10,144	(17,947)	26,704	(534,252)	–	5,302	501,398
Opening adjustment in respect of investment properties	–	–	–	–	(13,557)	–	–	–	13,557	–	–	–
As restated, after opening adjustment	701,316	6,171	248,168	42,235	–	10,144	(17,947)	26,704	(520,695)	–	5,302	501,398
Exchange differences on translating foreign operations	–	–	–	–	–	–	475	–	–	–	–	475
Transfer of reserves relating to non-current assets classified as held for sale	–	–	–	–	–	–	13,912	–	–	(13,912)	–	–
Net loss for the period	–	–	–	–	–	–	–	–	(20,008)	–	84	(19,924)
At 30 June 2005	701,316	6,171	248,168	42,235	–	10,144	(3,560)	26,704	(540,703)	(13,912)	5,386	481,949
At 1 January 2004												
As previously reported	700,345	6,171	218,714	43,067	13,557	10,144	(18,188)	26,704	(340,238)	–	3,533	663,809
Opening adjustment in respect of investment properties	–	–	–	–	(13,557)	–	–	–	13,557	–	–	–
As restated, after opening adjustment	700,345	6,171	218,714	43,067	–	10,144	(18,188)	26,704	(326,681)	–	3,533	663,809
Exercise of share options	395	–	–	–	–	–	–	–	–	–	–	395
Transfer from leasehold land and building revaluation reserve to accumulated losses	–	–	–	(1,819)	–	–	–	–	1,819	–	–	–
Exchange differences on translating foreign operations	–	–	–	–	–	–	65	–	–	–	71	156
Net loss for the period	–	–	–	–	–	–	–	–	(39,595)	–	127	(39,468)
At 30 June 2004	700,740	6,171	218,714	41,248	–	10,144	(18,103)	26,704	(364,457)	–	3,731	624,892

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Reserves (continued)

- * Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of a subsidiary of the Group in the People's Republic of China ("PRC") is required to be transferred to PRC reserve funds which are restricted as to use. The subsidiary is not required to effect any further transfer when the amount of reserve fund reaches 50% of the subsidiary's registered capital. The reserve fund can be used to make good future losses or to increase the capital of the subsidiary.

14. Related party transactions

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Purchases of raw materials and work in progress from associates	<u>41,658</u>	<u>9,682</u>

The directors consider that the purchases of raw materials and work in progress were made according to the prices and conditions similar to those offered to other customers of the suppliers.

15. Contingent liabilities

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 June	31 December
	2005	2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to associates	<u>6,291</u>	<u>12,583</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Contingent liabilities (continued)

- (b) At 30 June 2005, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,621,000 (31 December 2004: HK\$1,636,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

16. Capital commitments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of a joint venture company	21,450	21,450
Construction of a property under development	—	4,086
Construction of a property under development, which is classified as non-current assets held for sale	88,633	—
Purchase of a land use right	4,061	—
	<u>114,144</u>	<u>25,536</u>

17. Comparative amounts

Certain comparative amounts have been reclassified and restated to comply with the new and revised HKFRSs' requirement and conform with the current period's presentation.

18. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 21 September 2005.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The business environment confronted by the Group remained difficult in the first half of 2005. The persistent high oil price and the increase in interest rates in the United States continued to have negative effects on the global economy. On the other hand, despite the recovery of the local economy, the benefits were not fully reflected in all industries. The increase in raw material costs resulted in the increase in our production costs. However, due to the severe market competition, the Group was only able to pass on part of the cost increase to customers.

The Group incurred a net loss attributable to its shareholders of approximately HK\$20.01 million for the six months ended 30 June 2005, as compared to a net loss attributable to its shareholders of approximately HK\$39.60 million for the same period in 2004. The decrease was mainly due to the reduction in losses of marble and granite operation and quarry operation which had been closed down last year and during the period under review respectively.

Turnover for the period amounted to approximately HK\$237.00 million, representing an increase of approximately 20.7% when compared with that of last period. The increase in turnover was mainly due to the increase in revenue from paint operation. The Group's gross profit for the period was increased by 4.4% when compared with that of last period to approximately HK\$62.83 million. The manufacturing and sale of paint products continued to be the core business of the Group. Its weight in the total turnover was 85.4% for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Paint products

Turnover for the period amounted to approximately HK\$202.48 million, representing an increase of approximately 28.0% when compared with that of last period. Turnover in quantity amounted to approximately 12,000 kl, representing an increase of approximately 33.3% when compared with that of last period. The increase in turnover was mainly due to the increase in sales of lower margin products. The paint business continued to have steady growth in the PRC. During the period under review, the competition within the industry was increasingly intense. Operating profit for the period amounted to approximately HK\$2.14 million, representing a decrease of approximately 42.8% when compared with that of last period. The decrease was mainly due to the increases in raw material costs and selling of lower margin products which in turn a reduction in the gross profit margin. The construction of a new factory in Xuzhou was completed in the second half of the year.

Marble and granite

Turnover for the period amounted to approximately HK\$89,000, representing a decrease of approximately 97.8% when compared with that of last period. Operating loss for the period amounted to approximately HK\$2.32 million, representing a decrease of approximately 82.7% when compared with that of last period. The Group had closed down its operation. The loss was mainly due to depreciation charge of plants and machineries.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Property investment

Turnover for the period amounted to approximately HK\$2.37 million, representing an increase of approximately 16.3% when compared with that of last period. Operating profit amounted to approximately HK\$2.94 million, compared with an operating profit of approximately HK\$0.48 million last period. During the period under review, the Group had entered into agreement to dispose its property development project in Dalian, PRC and is expected to be completed by the end of 2006, details please refer to the Company's circular to its shareholders on 4 July 2005. Development projects in Hong Kong for land regrant are still under negotiations with the Hong Kong Government.

Fuel

Turnover for the period amounted to approximately HK\$1.84 million, representing a decrease of approximately 84.1% when compared with that of last period. Operating loss for the period amounted to approximately HK\$2.38 million compared with an operating loss of approximately HK\$1.02 million last period. All the fuel had been sold out and the operation had been closed down during the period under review.

Others

Iron and steel trading

Turnover for the period amounted to approximately HK\$29.52 million, representing an increase of approximately 144.9% when compared with that of last period. Operating profit for the period amounted to approximately HK\$2.25 million, representing an increase of approximately 51.4% when compared with that of last period. The business continued to have steady contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Quarry

Turnover for the period amounted to approximately HK\$0.62 million, representing a decrease of approximately 85.2% when compared with that of last period. Operating loss for the period amounted to approximately HK\$0.35 million, representing a decrease of approximately 94.3% when compared with that of last period. During the period under review, the Group had contracted out the operation for the remaining terms of the mining licence. The mining licence expired at the end of June 2005 and the operation closed down accordingly.

Long term investments

Auction house

The auction house operation sustained a small loss during the period under review. The Group will closely monitor the business.

Environmental project

The Chongqing joint-venture company had started using the “W-Tech” technology to modify diesel engines of buses under the contract with Chengdu Public Transportation Company. However, the progress was not so smooth as scheduled due to the incompatible types of buses supplied by the transportation company and inadequate power supply in the PRC which delayed the manufacture of suitable pistons and rings and the transform process. The management of the joint-venture company will closely monitor the progress of the business.

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. Cash and cash equivalents amounted to approximately HK\$49.23 million as at 30 June 2005 compared with approximately HK\$67.01 million as at 31 December 2004. Bank borrowings amounted to approximately HK\$123.31 million as at 30 June 2005 compared with approximately HK\$132.23 million as at 31 December 2004. All the Group's bank borrowings bear interest at floating rates. Of the Group's total bank borrowings as at 30 June 2005, approximately HK\$96.53 million (78.2%) is payable within one year, approximately HK\$4.65 million (3.8%) is payable in the second year, approximately HK\$13.29 million (10.8%) is payable in the third to fifth years and the remaining balance of HK\$8.84 million (7.2%) is payable beyond the fifth year.

The Group's bank 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 borrowings to shareholders' funds was 19.6% as at 30 June 2005 compared with 20.4% as at 31 December 2004. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.08 times as at 30 June 2005 compared with 1.07 times as at 31 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Equity and net asset value

Shareholders' funds of the Group as at 30 June 2005 was approximately HK\$629.86 million compared with approximately HK\$649.39 million as at 31 December 2004. Net asset value per share as at 30 June 2005 was HK\$0.41 compared with HK\$0.42 as at 31 December 2004. The reduction in shareholders' funds and the net asset value per share was mainly due to the loss incurred during the period under review.

Contingent liabilities

At 30 June 2005, the Group issued guarantees of HK\$6.29 million compared with HK\$12.58 million as at 31 December 2004 to bankers to secure general banking facilities granted to certain associates. Guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2005 amounted to HK\$75.41 million compared with HK\$70.62 million as at 31 December 2004.

Pledge of assets

At 30 June 2005, land and buildings and investment properties with aggregate net book value of HK\$234.29 million (31 December 2004: HK\$233.48 million) were pledged to banks as collaterals for general banking facilities. At 30 June 2005, total outstanding secured bank borrowings amounted to HK\$90.49 million as compared with HK\$88.21 million as at 31 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Staff

As at 30 June 2005, the Group's staff headcount was 1,030 (30 June 2004: 957). Staff costs amounted to HK\$32.67 million for the period under review as compared with HK\$33.44 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 also provides an attractive staff option scheme.

OUTLOOK

Looking ahead, the Group believes that the overall business environment remains difficult because of the soaring prices in oil and the rise of interest rates in the United States. The Group will continue to focus on its paint operation and to improve its performance through tightening control on costs, especially raw material costs, on the one hand and developing new paint products on the other. Subsequent to the period under review, our paint products under the brand name of "FLOWER" had been awarded "CHINA TOP BRAND". The Group believes that the award is an affirmation of our paint products and will enhance its popularity and competitiveness of which the Group will benefit from.

DISCLOSURE UNDER LISTING RULES 13.20 AND 13.22

(1) Advance to an entity

Loan advanced by the Group to an entity as at 30 June 2005 required to be disclosed under Rule 13.20 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) is as follows:

Entity	Percentage of equity held by the Group	Advance HK\$'000
Liaoyang Beiyang Realestate Development Company Limited	50%	40,812

The advance was used to finance a property development project in Shanghai. The advance is unsecured, interest free and has no fixed terms of repayment.

DISCLOSURE UNDER LISTING RULES 13.20 AND 13.22

(continued)

(2) Financial assistance and guarantees given to affiliated companies

The proforma combined balance sheet of and the Group's attributable interest in the affiliated companies based on their latest financial statements available required to be disclosed under Rule 13.22 of the Listing Rules are as follows:

	Proforma combined balance sheet HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	529,854	76,201
Current assets	373,866	53,707
Current liabilities	(571,514)	(92,647)
Non-current liabilities	(23,761)	(4,990)
Net assets	<u>308,445</u>	<u>32,271</u>

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

As at 30 June 2005, 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 (“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	6,000,000	—	—	337,473,906	343,473,906	22.41%
Tsui Ho Chuen, Philip	1	Beneficiary of trust	—	—	—	337,473,906	337,473,906	22.01%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,124,000	—	337,473,906 *	337,473,906 *	338,597,906	22.09%
Lau Wong Fat		Beneficial owner	500,000	—	—	—	500,000	0.03%

* 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		Beneficial owner	option granted under the Company's share option scheme	38,000,000
	2	Founder of discretionary trust	option	98,000,000
Lam Ting Ball, Paul		Beneficial owner	option granted under the Company's share option scheme	10,000,000
Tsui Ho Chuen, Philip		Beneficial owner	options granted under the Company's share option schemes	37,500,000
	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry		Beneficial owner	options granted under the Company's share option schemes	37,500,000
		Interest of spouse	option granted under the Company's share option scheme	750,000
	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 337,473,906 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 shareholder of RGL.
- (2) The 98,000,000 shares were owned by Broadsino Investment Company Limited ("Broadsino"). RGL has 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.

Details of the options granted to the directors of the Company under the Company's share option schemes are disclosed in the heading "Share options" below.

Save as disclosed above, as at 30 June 2005, 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, 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.

SHARE OPTIONS

Details of the share options of the Company granted to the directors of the Company and the continuous contract employees of the Group, pursuant to the Company's expired/terminated share option schemes adopted on 2 May 1991 (the "1991 Scheme") and 13 June 2001 (the "2001 Scheme") respectively, that remained unexercised as at 1 January 2005 and 30 June 2005 are as follows:

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options		
				Balance at 1 January 2005	Lapsed during the period	Balance at 30 June 2005
1991 Scheme						
Directors						
Tsui Ho Chuen, Philip	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	4,000,000
Tsui Yam Tong, Terry	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	4,000,000
2001 Scheme						
Directors						
Tsui Tsin Tong	27 September 2001	27 September 2001 to 26 September 2006	0.1576	38,000,000	—	38,000,000
Lam Ting Ball, Paul	27 September 2001	27 September 2001 to 26 September 2006	0.1576	10,000,000	—	10,000,000
Tsui Ho Chuen, Philip	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	33,500,000
Tsui Yam Tong, Terry	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	33,500,000*
Continuous contract employees (other than the directors of the Company and their associates)	27 September 2001	27 September 2001 to 26 September 2006	0.1576	6,766,000	76,000	6,690,000

SHARE OPTIONS (continued)

- * In addition, Ms. Ng Shou Ping, Lucilla, the wife of Mr. Tsui Yam Tong, Terry, was granted an option to subscribe for 750,000 shares at an exercise price of HK\$0.1576 per share on 27 September 2001. Such option is exercisable and valid between 27 September 2001 to 26 September 2006, which remained unexercised at 30 June 2005.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2005, 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 derivatives)	Percentage of issued share capital
10% or more of issued share capital					
RGL	1	Trustee	337,473,906	—	22.01%
	1	Trustee	—	98,000,000	6.39%
Wang Wing Mu, Amy	2	Interest of spouse	343,473,906	—	22.41%
	2	Interest of spouse	—	136,000,000	8.87%
Ng Shou Ping, Lucilla	3	Interest of spouse	338,597,906	—	22.09%
	3	Beneficial owner & interest of spouse	—	136,250,000	8.89%
Ho Mei Po, Mabel	4	Interest of spouse	337,473,906	—	22.01%
	4	Interest of spouse	—	135,500,000	8.84%
West Avenue Group Company Limited	5	Beneficial owner	198,000,000	—	12.92%
Tsai Wu Chang	5	Interest of controlled corporation	198,000,000	—	12.92%
Chinaculture.com Limited	6	Beneficial owner	195,500,000	—	12.75%

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 derivatives)	Percentage of issued share capital
Chuang's China Investments Limited	6	Interest of controlled corporation	195,500,000	—	12.75%
Profit Stability Investments Limited	6	Interest of controlled corporations	195,500,000	—	12.75%
Chuang's Consortium International Limited	6	Interest of controlled corporations	195,500,000	—	12.75%
Chuang (Chong) Shaw Swee, Alan	6	Interest of controlled corporations	195,500,000	—	12.75%
Chong Ho Pik Yu	6	Interest of spouse	195,500,000	—	12.75%
Below 10% of issued share capital					
Broadsino	7	Beneficial owner	98,000,000	—	6.39%
Golden Case Limited	8	Security interest in shares	80,000,000	—	5.22%
Cheung Kong Investment Company Limited	8	Interest of controlled corporation	80,000,000	—	5.22%
Cheung Kong (Holdings) Limited	8	Interest of controlled corporations	80,000,000	—	5.22%
Li Ka-Shing Unity Trustee Company Limited	8	Trustee	80,000,000	—	5.22%
Li Ka-Shing Unity Trustee Corporation Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.22%
Li Ka-Shing Unity Trustcorp Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.22%
Li Ka-Shing	8	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.22%

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

Notes:

- (1) The 337,473,906 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. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 343,473,906 shares and 136,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (3) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 338,597,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO. She also has a personal interest in an option granted under the Company's share option scheme to subscribe for 750,000 shares of the Company.
- (4) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 337,473,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (5) The 198,000,000 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.
- (6) 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 60.10% owned subsidiary of Profit Stability Investments Limited ("Profit Stability"). Chuang's Consortium International Limited ("Chuang's Consortium") held 100% equity interest in Profit Stability. Mr. Chuang (Chong) Shaw Sweet, Alan ("Mr. Chuang") is interested in 33.44% of the issued share capital of Chuang's Consortium. Ms. Chong Ho Pik Yu ("Mrs. Chuang") is the wife of Mr. Chuang.

Chuang's China, Profit Stability, Chuang's Consortium, 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.

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

- (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").

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 Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. 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 2005 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2005, except that:

1. The Code Provisions A.1.7, A.2.1, A.5.4, B.1.1 (written terms of reference), D.1.2 and D.2.1 have been fully complied with on 18 July 2005.
2. The non-executive directors are not appointed for a specific term and the directors are not required by the Company's bye-laws to retire by rotation at least once every three years. However, under the Company's bye-laws, one third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office by rotation at each annual general meeting. The board will ensure the retirement of each director (including non-executive directors) by rotation at least once every three years in order to comply with the Code Provisions.
3. The Company has not established a remuneration committee. The board is in the process of defining the composition of the committee.

CORPORATE GOVERNANCE (continued)

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 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 2005.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 21 September 2005

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*)

Non-executive Director

Hung Ting Ho, Richard

Independent Non-executive Directors

Sir David Akers-Jones (*Deputy Chairman*)

Lau Wong Fat

Li Hui Yan

Danny T Wong

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