



# **CNT GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

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**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 (collectively referred to as the “Group”) for the six months ended 30 June 2009 together with comparative amounts for the corresponding period in 2008. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2009*

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE		<b>384,933</b>	388,676
Cost of sales		<b>(251,663)</b>	(290,676)
Gross profit		<b>133,270</b>	98,000
Other income and gains	3	<b>4,124</b>	9,749
Selling and distribution costs		<b>(61,907)</b>	(52,362)
Administrative expenses		<b>(54,953)</b>	(54,782)
Other expenses, net		<b>(740)</b>	(166)
Finance costs	4	<b>(3,279)</b>	(2,882)
Share of profit and loss of associates		<b>147</b>	410
PROFIT/(LOSS) BEFORE TAX	5	<b>16,662</b>	(2,033)
Tax	6	<b>(6,894)</b>	(3,293)
PROFIT/(LOSS) FOR THE PERIOD		<b>9,768</b>	(5,326)

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**CONDENSED CONSOLIDATED INCOME STATEMENT** (continued)*For the six months ended 30 June 2009*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
PROFIT/(LOSS) ATTRIBUTABLE TO:		
Equity holders of the parent	<b>9,891</b>	(5,211)
Minority interests	<b>(123)</b>	(115)
	<u><b>9,768</b></u>	<u>(5,326)</u>
EARNINGS/(LOSS) PER SHARE		
ATTRIBUTABLE TO ORDINARY		
EQUITY HOLDERS OF THE PARENT 7		
Basic	<u><b>HK0.63 cents</b></u>	<u>(HK0.33 cents)</u>
Diluted	<u><b>N/A</b></u>	<u>N/A</u>

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2009*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) for the period	<b>9,768</b>	(5,326)
Other comprehensive income for the period, net of tax:		
Exchange differences on translating overseas operations	<b>(397)</b>	12,249
Total comprehensive income for the period, net of tax	<b>9,371</b>	6,923
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the parent	<b>9,500</b>	6,809
Minority interests	<b>(129)</b>	114
	<b>9,371</b>	6,923

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	8	304,088	292,871
Investment properties		121,531	121,517
Properties under development		32,000	32,000
Prepaid land premiums		21,060	21,321
Intangible asset		3,000	3,000
Interests in associates		2,771	3,461
Available-for-sale investments		123,163	123,163
Deposits for purchases of properties		13,619	10,976
Long term receivable		557	757
Net pension scheme assets		2,199	2,199
Total non-current assets		<u>623,988</u>	<u>611,265</u>
CURRENT ASSETS			
Inventories		74,352	61,934
Trade and bills receivables	9	166,803	159,028
Prepayments, deposits and other receivables		17,454	13,904
Due from an associate		—	1,523
Equity investment at fair value through profit or loss		60	31
Pledged deposits		2,750	—
Cash and cash equivalents		125,618	121,767
Total current assets		<u>387,037</u>	<u>358,187</u>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	131,996	85,249
Other payables and accruals		73,367	92,052
Interest-bearing bank and other borrowings		89,257	82,971
Tax payable		11,821	6,336
Total current liabilities		<u>306,441</u>	<u>266,608</u>
<b>NET CURRENT ASSETS</b>		<u>80,596</u>	<u>91,579</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>704,584</u>	<u>702,844</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		52,982	60,461
Deferred tax liabilities		9,884	9,884
Deferred income		4,613	4,765
Total non-current liabilities		<u>67,479</u>	<u>75,110</u>
Net assets		<u>637,105</u>	<u>627,734</u>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital		157,367	157,367
Reserves		475,673	466,173
		<u>633,040</u>	<u>623,540</u>
Minority interests		4,065	4,194
Total equity		<u>637,105</u>	<u>627,734</u>

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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

		Attributable to equity holders of the parent										
		Leasehold		Investment		Retained						
		land and	building	land and	property	General	Exchange	Reserve (accumulated	Minority	Total		
		revaluation	revaluation	revaluation	revaluation	reserve	fluctuation	fund**	interests	equity		
		reserve	reserve	reserve	reserve	reserve	reserve	(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		
At 1 January 2009		157,367	41,732	13,557	13,557	10,144	12,485	28,866	(24,923)	623,540	4,194	627,734
Total comprehensive income for the period		-	-	-	-	-	(391)	-	9,891	9,500	(129)	9,371
<b>At 30 June 2009</b>		<b>157,367</b>	<b>41,732</b>	<b>13,557</b>	<b>13,557</b>	<b>10,144</b>	<b>12,094</b>	<b>28,866</b>	<b>(15,032)</b>	<b>633,040</b>	<b>4,065</b>	<b>637,105</b>
At 1 January 2008		157,367	41,381	13,557	13,557	10,144	(2,335)	28,866	46,532	673,884	3,632	683,516
Total comprehensive income for the period		-	-	-	-	-	12,020	-	(6,211)	6,809	114	6,923
<b>At 30 June 2008</b>		<b>157,367</b>	<b>41,381</b>	<b>13,557</b>	<b>13,557</b>	<b>10,144</b>	<b>9,685</b>	<b>28,866</b>	<b>41,381</b>	<b>686,693</b>	<b>3,746</b>	<b>690,439</b>

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

- \* The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were reclassified as investment properties in prior years. This revaluation reserve arose while the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is 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\$475,673,000 (2008: HK\$529,326,000) in the condensed consolidated statement of financial position.



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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	31,457	(46,585)
Net cash outflow from investing activities	(23,643)	(12,368)
Net cash inflow/(outflow) from financing activities	(1,089)	25,696
	<u>6,725</u>	<u>(33,257)</u>
Net increase/(decrease) in cash and cash equivalents	6,725	(33,257)
Cash and cash equivalents at beginning of period	117,065	159,520
Effect of foreign exchange rate changes, net	(117)	7,524
	<u>123,673</u>	<u>133,787</u>
Cash and cash equivalents at end of period	<u>123,673</u>	<u>133,787</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	113,251	104,170
Non-pledged time deposits with original maturity of less than three months when acquired	7,672	26,742
Pledged time deposits with original maturity of less than three months when acquired	2,750	2,875
	<u>123,673</u>	<u>133,787</u>
Cash and cash equivalents for the purpose of the condensed consolidated cash flow statement	123,673	133,787
Time deposits with original maturity of more than three months	4,695	4,532
	<u>128,368</u>	<u>138,319</u>
Cash and cash equivalents for the purpose of the condensed consolidated statement of financial position	<u>128,368</u>	<u>138,319</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s unaudited condensed consolidated interim financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments Operating Segments</i>
HKFRS 8	<i>Presentation of Financial Statements</i>
HKAS 1 (Revised)	<i>Borrowing Costs</i>
HKAS 23 (Revised)	
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

Apart from the above, the Group also adopted the *Improvements to HKFRSs* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording, further details of which are described in the Company's annual financial statements.

The adoption of the above new or revised standards, interpretations and amendments did not have significant effect on the unaudited condensed consolidated interim financial statements, except as described below which give rise to new and revised accounting policies, revised presentation and additional disclosures.

- (i) HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.
- (ii) HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

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

HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> <sup>3</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 5 Amendments	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> <sup>2</sup>
Improvements to HKFRSs issued in 2009	Amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for transfers of assets from customers received on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

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

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2008.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segment information

The Group's operating segments are structured and managed separately, according to the nature of their operations and the products and services they provide. The chief operating decision maker regularly reviews the operating results of its business units separately for the purpose of resources allocation and performance assessment. The Group is organised into four reportable operating segments. Summary details of the Group's reportable operating segments are as follows:

- (a) the paint products segment engages in the manufacture 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;
- (c) the iron and steel trading segment comprises the trading of iron and steel products; and
- (d) the "others" segment comprises, principally, 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 tables present revenue and profit/(loss) information for the Group's reportable operating segments for the six months ended 30 June 2009 and 2008.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Period ended 30 June 2009</b>						
<b>Segment revenue:</b>						
Sales to external customers	344,458	3,335	37,140	—	—	384,933
Intersegment sales	—	4,173	—	—	(4,173)	—
Other income and gains	1,418	3	2,399	73	—	3,893
	<u>345,876</u>	<u>7,511</u>	<u>39,539</u>	<u>73</u>	<u>(4,173)</u>	<u>388,826</u>
<b>Total</b>	<b>345,876</b>	<b>7,511</b>	<b>39,539</b>	<b>73</b>	<b>(4,173)</b>	<b>388,826</b>
<b>Segment results</b>	<b>28,330</b>	<b>2,931</b>	<b>1,479</b>	<b>(541)</b>	<b>2,937</b>	<b>35,136</b>
Interest income						231
Unallocated expenses						(15,573)
Finance costs						(3,279)
Share of profit and loss of associates						147
						<u>16,662</u>
Profit before tax						(6,894)
Tax						<u>9,768</u>
Profit for the period						<u>9,768</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segment information (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Period ended 30 June 2008</b>						
<b>Segment revenue:</b>						
Sales to external customers	320,366	3,379	64,931	—	—	388,676
Intersegment sales	—	2,951	—	—	(2,951)	—
Other income and gains	1,155	3,783	3,920	44	—	8,902
<b>Total</b>	<b>321,521</b>	<b>10,113</b>	<b>68,851</b>	<b>44</b>	<b>(2,951)</b>	<b>397,578</b>
<b>Segment results</b>	<b>5,158</b>	<b>4,420</b>	<b>4,499</b>	<b>(550)</b>	<b>3,275</b>	<b>16,802</b>
Interest income						847
Unallocated expenses						(17,210)
Finance costs						(2,882)
Share of profit of an associate						410
Loss before tax						(2,033)
Tax						(3,293)
Loss for the period						(5,326)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segment information (continued)

The following tables present segment assets of the Group's reportable operating segments as at 30 June 2009 and 31 December 2008.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>As at 30 June 2009</b>						
Segment assets	411,385	324,427	16,583	1,629	(1,365)	752,659
Interests in associates	—	2,409	—	362	—	2,771
Unallocated assets						255,595
Total assets						1,011,025

	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Eliminations (Audited) HK\$'000	Consolidated (Audited) HK\$'000
<b>As at 31 December 2008</b>						
Segment assets	377,415	326,962	11,007	2,595	(1,420)	716,559
Interests in associates	—	3,192	—	269	—	3,461
Unallocated assets						249,432
Total assets						969,452

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenue.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Other income and gains

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Bank interest income	217	847
Commission income	2,166	3,689
Government grants received from Mainland China authorities	1,010	—
Others	731	5,213
	<u>4,124</u>	<u>9,749</u>

### 4. Finance costs

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank loans and other loans wholly repayable within five years	2,465	2,004
Interest on other loans	762	820
Interest on finance leases	52	58
	<u>3,279</u>	<u>2,882</u>

### 5. Profit/(loss) before tax

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

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of inventories sold	251,663	290,676
Depreciation	10,428	8,578
Impairment/(write-back of impairment) of trade receivables	458	(113)
Write-down of inventories to net realisable value	3,708	1,651
	<u>3,708</u>	<u>1,651</u>

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

### **6. Tax**

No Hong Kong profits tax has been provided as the Group did not generate any 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.

The share of tax attributable to an associate amounting to HK\$92,000 (2008: HK\$87,000) is included in "Share of profit and loss of associates" on the face of the condensed consolidated income statement.

### **7. Earnings/(loss) per share attributable to ordinary equity holders of the parent**

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$9,891,000 (2008: loss of HK\$5,211,000) and the weighted average number of ordinary shares of 1,573,671,409 (2008: 1,573,671,409) in issue during the period.

No diluted earnings/(loss) per share amounts are presented for the six months ended 30 June 2009 and 2008 as there were no diluting events existed during the periods.

### **8. Property, plant and equipment**

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment at costs of HK\$22,467,000 (2008: HK\$14,290,000).

Items of property, plant and equipment with a net book value of HK\$271,000 (2008: HK\$182,000) were disposed of by the Group during the six months ended 30 June 2009, resulting in a net loss on disposal of HK\$11,000 (2008: net gain of HK\$193,000).

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Trade and bills receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its 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 and bills receivables are non-interest-bearing.

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

	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>120,508</b>	131,814
Within three months	<b>41,573</b>	22,535
Over three months and within six months	<b>2,267</b>	2,943
Over six months	<b>2,455</b>	1,736
	<b>166,803</b>	159,028

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Trade and bills payables

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

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within three months	129,205	78,504
Over three months and within six months	2,446	6,385
Over six months	345	360
	<u>131,996</u>	<u>85,249</u>

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

### 11. Related party transactions

(a) *Outstanding balance with related parties:*

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Loans to associates	1,528	1,521
Due to an associate	<u>3,505</u>	<u>3,750</u>

As at 30 June 2009, the loan to an associate and amount due to an associate are unsecured, interest free, and have no fixed terms of repayment.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Related party transactions (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>8,465</b>	8,207
Post-employment benefits	<b>441</b>	430
	<u>          </u>	<u>          </u>
Total compensation paid to key management personnel	<b>8,906</b>	8,637
	<u>          </u>	<u>          </u>

### 12. Capital commitments

	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for:		
Purchase of land use rights	<b>4,716</b>	4,723
Capital contribution to subsidiaries	<b>34,102</b>	34,100
Purchases of items of property, plant and equipment	<b>7,102</b>	8,579
	<u>          </u>	<u>          </u>
	<b>45,920</b>	47,402
Authorised, but not contracted for:		
Capital contribution to a subsidiary	<b>19,135</b>	19,134
	<u>          </u>	<u>          </u>
	<b>65,055</b>	66,536
	<u>          </u>	<u>          </u>

### 13. Comparative amounts

As a result of the adoption of HKAS 1 (Revised) *Presentation of Financial Statements* and HKFRS 8 *Operating Segments* during the current period, certain comparative amounts have been reclassified to conform with the current period's presentation. Further details are explained in note 1.

### 14. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 8 September 2009.

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## **INTERIM DIVIDEND**

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2009 (2008: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the period under review, the Group recorded revenue of approximately HK\$384.93 million representing a decrease of 1.0% when compared with that of last period. The decrease was mainly due to the decrease in revenue from trading of iron and steel products. Despite the slight drop in revenue and the challenging economic environment in the first half of the year 2009, the Group's core paint operation continued to have improvement both in terms of revenue and gross profit. As a result of the implementation of cost control measures in production together with raw material costs reduction during the period, the increase in gross profit turned the Group's result into profit for the period.

The Group recorded a profit attributable to the equity holders of the parent company of approximately HK\$9.89 million for the six months ended 30 June 2009 as compared with a loss of approximately HK\$5.21 million for the last corresponding period.

The Group's gross profit for the period increased by 36.0% when compared with that of last period to approximately HK\$133.27 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 89.5% for the period under review.

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

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

#### **Paint products**

Revenue for the period amounted to approximately HK\$344.46 million, representing an increase of approximately 7.5% when compared with that of last period. The paint business continued to have steady growth in Mainland China. Operating profit for the period amounted to approximately HK\$28.33 million, representing an increase of approximately 449.2% when compared with that of last period.

During the period under review, the Group had acquired a production plant, including the respective land use right, situated in Hubei, the PRC, at a total consideration of approximately HK\$5.24 million to enhance the supply of paint products in Southern China.

#### **Property investment**

Revenue for the period amounted to approximately HK\$3.34 million when compared with that of approximately HK\$3.38 million last period. Operating profit amounted to approximately HK\$2.93 million, compared with that of approximately HK\$4.42 million last period.

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

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

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

Revenue for the period amounted to approximately HK\$37.14 million, representing a decrease of approximately 42.8% when compared with that of last period. Operating profit for the period amounted to approximately HK\$1.48 million, representing a decrease of approximately 67.1% when compared with that of last period. The decrease in revenue during the period resulted in decrease in operating profit during the period under review.

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

The Group has an effective interest of 11.7% in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. There are six sales offices established in Hong Kong, Guangzhou, Foshan, Zhaoqing and Sihui for marketing purpose. Promotion campaigns have been launched, including regular visits of the cemetery and blessing ceremonies in the cemetery to boost the publicity.



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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL REVIEW

#### Liquidity and financial information

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK\$128.37 million as at 30 June 2009 compared with approximately HK\$121.77 million as at 31 December 2008. Bank and other borrowings amounted to approximately HK\$142.24 million as at 30 June 2009 compared with approximately HK\$143.43 million as at 31 December 2008. 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 2009, approximately HK\$89.26 million (62.8%) is payable within one year, approximately HK\$5.52 million (3.9%) is payable in the second year, approximately HK\$15.82 million (11.1%) is payable in the third to fifth years and the remaining balance of HK\$31.64 million (22.2%) is payable beyond the fifth year.

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's result can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. However, in view of the strong and supportive treasury policy in Mainland China, the Renminbi exchange rate is expected to remain relatively stable and hence the Group's currency exposure is not significant. The Group considers that no hedging measures are necessary.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 24.6% as at 30 June 2009 compared with 25.2% as at 31 December 2008. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.26 times as at 30 June 2009 compared with 1.34 times as at 31 December 2008.

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

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

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

Shareholders' funds of the Group as at 30 June 2009 was approximately HK\$633.04 million compared with approximately HK\$623.54 million as at 31 December 2008. 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 2009 was approximately HK\$577.75 million compared with approximately HK\$568.25 million as at 31 December 2008. Net asset value per share as at 30 June 2009 was HK\$0.40 compared with HK\$0.40 as at 31 December 2008.

#### **Contingent liabilities**

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2009 amounted to approximately HK\$81.88 million compared with approximately HK\$66.89 million as at 31 December 2008.

#### **Pledge of assets**

At 30 June 2009, certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of approximately HK\$433.33 million (31 December 2008: HK\$444.23 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2009, total outstanding secured bank and other borrowings amounted to approximately HK\$130.90 million as compared with approximately HK\$132.64 million as at 31 December 2008.

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

### **STAFF**

As at 30 June 2009, the Group's staff headcount was 1,314 (30 June 2008: 1,222). Staff costs (excluding directors' emoluments) amounted to approximately HK\$58.12 million for the period under review as compared with approximately HK\$55.84 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.

### **OUTLOOK**

Looking forward to the second half of 2009, there remains a lot of uncertainties in the future economic environment. Although the Chinese government has taken proactive stimulative measures to stimulate the local spending momentum in Mainland China, the Group will remain cautious on the latest market development and react quickly to the market dynamics. The Group expects that local spending momentum will continue and help Mainland China's economy to maintain a positive GDP growth for 2009. As a result of the Chinese government's measures to stimulate the domestic economy, we believe that our paint operation in Mainland China will benefit from steadily growing demand for paint products. In order to further reduce the cost of production, the Group is planning to establish a tinplate cans factory in Mainland China to manufacture and supply packaging materials to our paint operation as part of vertical integration. 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.

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

As at 30 June 2009, 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

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

**(ii) Underlying shares**

<b>Name</b>	<b>Note</b>	<b>Capacity</b>	<b>Nature of equity derivative (unlisted/physically settled)</b>	<b>Number of underlying shares</b>
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

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## **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 2009, 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 2009, 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
<b>10% or more of issued share capital</b>					
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%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ 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%
<b>Below 10% of issued share capital</b>					
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%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ 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.

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## 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 share 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”).

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## **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 2009 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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## **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 2009, 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 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 2009.

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

Hong Kong, 8 September 2009

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### **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 (Finance Director)

### **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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