

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 2002. 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	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER		175,858	179,319
Cost of sales		(106,792)	(109,838)
Gross profit		69,066	69,481
Other revenue and gains	3	8,345	4,902
Selling and distribution costs		(32,857)	(27,857)
Administrative expenses		(43,410)	(36,078)
Other operating expenses		(3,811)	(484)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(2,667)	9,964
Finance costs	5	(3,681)	(6,122)
Share of profits less losses of:			
A jointly-controlled entity		(259)	—
Associates		508	2,309
PROFIT/(LOSS) BEFORE TAX		(6,099)	6,151
Tax	6	(4,198)	(4,117)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(10,297)	2,034
Minority interests		435	40
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(9,862)	2,074
EARNINGS/(LOSS) PER SHARE	7		
Basic		(0.65 cent)	0.14 cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Leasehold land and buildings revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve ¹ (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Reserve fund ² (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	152,819	700,428	5,405	56,465	52,378	13,557	10,144	(16,889)	26,704	34,786	1,035,797
Adjustment to the consideration for the acquisition of a subsidiary ³	—	—	—	33,432	—	—	—	—	—	—	33,432
Exchange adjustment on translation of overseas subsidiaries and associates	—	—	—	—	—	—	—	208	—	—	208
Net loss for the period	—	—	—	—	—	—	—	—	—	(9,862)	(9,862)
At 30 June 2002	152,819	700,428	5,405	89,897	52,378	13,557	10,144	(16,681)	26,704	24,924	1,059,575
At 1 January 2001	152,819	700,428	5,405	56,465	52,378	13,557	10,144	(17,803)	26,704	28,023	1,028,120
Exchange adjustment on translation of overseas subsidiaries and associates	—	—	—	—	—	—	—	64	—	—	64
Net profit for the period	—	—	—	—	—	—	—	—	—	2,074	2,074
At 30 June 2001	152,819	700,428	5,405	56,465	52,378	13,557	10,144	(17,739)	26,704	30,097	1,030,258

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Notes:

1. The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were classified as investment properties in the prior years. Such portion of revaluation reserve is transferred to retained earnings only upon the disposal or retirement of the relevant assets and such transfer is not made through the profit and loss account.
2. In accordance with the articles of association of a subsidiary of the Group, the subsidiary is required, as a foreign investment enterprise in the People's Republic of China, to transfer a percentage of its profit after tax, calculated in accordance with accounting principles of the People's Republic of China, to a reserve fund. The subsidiary shall not be 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.
3. In January 2000, in consideration of the Group entering into a subscription agreement for the acquisition of certain equity interest in Elegant Stone International Ltd. ("Elegant Stone"), an associate of the Group as at 31 December 2001, Express Regent Holdings Limited (the "Guarantor") and Mr. Lam Yau Pui executed a deed (the "Deed") to, inter alia, provide a guarantee in favour of the Group on the amount of dividend to be distributed by a wholly-owned subsidiary of Elegant Stone for certain years as set out in the Deed. Pursuant to the Deed, if there was any shortfall in dividends distributed from the amounts as set out in the Deed during the relevant periods, the Group could exercise an option to require the Guarantor to, inter alia, transfer such number of shares of Elegant Stone to the Group at a price of HK\$1,000,000 for each 2% of the then issued capital of Elegant Stone up to a total transfer price equal to the amount of any shortfall in dividends attributable to the Group.

During the period, the Group exercised such option to demand the Guarantor to transfer 26.7% equity interest in Elegant Stone to the Group to compensate for the shortfall in dividends pursuant to the Deed. Upon the completion of such transfer, Elegant Stone became a 76.1% owned subsidiary of the Group. As the guaranteed dividend income is a condition for the acquisition of Elegant Stone, the additional 26.7% equity interest in Elegant Stone transferred to the Group during the period has been accounted for as an adjustment to the goodwill arising from that acquisition, which was previously eliminated against capital reserve.

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2002 (Unaudited) Notes	31 December 2001 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Fixed assets	335,376	261,750
Investment properties	157,830	157,830
Properties under development	162,003	162,003
Interest in a jointly-controlled entity	553	308
Interests in associates	88,904	156,943
Long term investments	170,734	170,734
Deposit for purchase of a property	88,000	88,000
Deposits for investments	32,870	22,870
Intangible assets	6,263	4,480
Long term portion of mortgage loans receivable	1,850	2,094
Goodwill	5,101	—
	1,049,484	1,027,012
CURRENT ASSETS		
Short term investments	5,276	6,703
Inventories	107,568	58,185
Trade receivables	108,858	67,732
Prepayments, deposits and other receivables	69,996	27,647
Current portion of mortgage loans receivable	86	89
Pledged time deposits	5,200	1,200
Cash and cash equivalents	65,163	111,699
	362,147	273,255

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	9	48,667	36,498
Other payables and accruals		76,603	55,841
Bank and other borrowings		61,088	41,271
Current portion of finance lease payables		580	587
Tax payable		3,270	1,549
		190,208	135,746
NET CURRENT ASSETS			
		171,939	137,509
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,221,423	1,164,521
NON-CURRENT LIABILITIES			
Bank and other borrowings		84,936	81,275
Long term portion of finance lease payables		216	465
Deferred tax		700	700
		85,852	82,440
MINORITY INTERESTS			
		75,996	46,284
		1,059,575	1,035,797
CAPITAL AND RESERVES			
Issued capital		152,819	152,819
Reserves		906,756	882,978
		1,059,575	1,035,797

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	(22,342)	7,364
Net cash used in investing activities	(39,263)	(31,723)
Net cash from/(used in) financing activities	10,338	(4,603)
Decrease in cash and cash equivalents	(51,267)	(28,962)
Cash and cash equivalents at beginning of period	109,824	131,413
CASH AND CASH EQUIVALENTS AT END OF PERIOD	58,557	102,451
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	59,948	81,436
Non-pledged time deposits with original maturity of less than three months when acquired	5,215	21,024
Bank overdrafts	(6,606)	(9)
	58,557	102,451

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The basis of preparation and accounting policies used in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2001, except the following new and revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements:

- SSAP 1 (Revised) : “Presentation of Financial Statements”
- SSAP 11 (Revised) : “Foreign Currency Translation”
- SSAP 15 (Revised) : “Cash Flow Statements”
- SSAP 34 : “Employee Benefits”

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of overseas subsidiaries and associates are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of the revised SSAP 11 which states that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

1. Basis of preparation and accounting policies (continued)

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flow during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

2. Segment information

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

- (a) the paint products segment engages in manufacturing and sale of paint products;
- (b) the marble and granite segment engages in mining and trading 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; and
- (d) the others segment mainly comprises the trading of steel products, sale of marketable securities and manufacturing and trading of oil.

Intersegment sales and transfers are transacted at mutually agreed terms.

2. Segment information (continued)

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

	Paint products		Marble and granite		Property investment		Others		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June		30 June	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
(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
Segment revenue:												
Sales to external customers	149,699	171,623	18,600	—	1,194	1,031	6,365	6,665	—	—	175,858	179,319
Intersegment sales	—	—	—	—	4,545	4,517	—	—	(4,545)	(4,517)	—	—
Other revenue	4,450	1,556	2,086	—	388	797	887	1,511	—	—	7,811	3,864
Total	154,149	173,179	20,686	—	6,127	6,345	7,252	8,176	(4,545)	(4,517)	183,669	183,183
Segment results	20,923	22,137	(1,407)	—	1,086	1,155	(7,354)	1,135	1,045	987	14,293	25,414
Interest income											534	1,038
Unallocated expenses											(17,494)	(16,488)
Profit/(Loss) from operating activities											(2,667)	9,964
Finance costs											(3,681)	(6,122)
Share of profits less losses of:												
A jointly-controlled entity											(259)	—
Associates	—	2,426	(1,951)	(1,809)	—	—	—	—	—	—	(1,951)	617
Unallocated associates											2,459	1,692
Profit/(Loss) before tax											(6,099)	6,151
Tax											(4,198)	(4,117)
Profit/(Loss) before minority interests											(10,297)	2,034
Minority interests											435	40
Net profit/(loss) from ordinary activities attributable to shareholders											(9,862)	2,074

3. Other revenue and gains

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest income	534	1,038
Net unrealised holding gain on short term investments	—	663
Gain on disposal of fixed assets	8	96
Others	7,803	3,105
	<u>8,345</u>	<u>4,902</u>

4. Profit/(Loss) from operating activities

Profit/(Loss) from operating activities is arrived at after charging:

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cost of inventories sold	106,792	107,398
Depreciation	9,435	8,821
Impairment of short term investments	1,427	—
Amortisation of intangible assets	640	—
Amortisation of goodwill	269	—
Loss on disposal of investment properties	—	32
Loss on disposal of fixed assets	—	12
	<u>128,563</u>	<u>126,263</u>

5. Finance costs

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts	3,641	4,743
Other loans wholly repayable within five years	—	1,316
Interest on finance leases	40	63
	<u>3,681</u>	<u>6,122</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) 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	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Provision for tax in respect of profit for the period:		
Hong Kong	—	—
Elsewhere	3,786	3,691
	<u>3,786</u>	<u>3,691</u>
Prior year underprovision:		
Hong Kong	—	109
	<u>3,786</u>	<u>3,800</u>
Share of tax attributable to associates:		
Hong Kong	90	91
Elsewhere	322	226
	<u>412</u>	<u>317</u>
Tax charge for the period	<u><u>4,198</u></u>	<u><u>4,117</u></u>

7. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the period of HK\$9,862,000 (2001: net profit of HK\$2,074,000) and the weighted average of 1,528,188,000 (2001: 1,528,188,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2002 has not been shown as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

Diluted earnings per share for the six months ended 30 June 2001 has not been shown as there was no dilutive effect on the basic earnings per share.

8. Trade receivables

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 regularly reviewed by senior management. An aged analysis of trade receivables at the balance sheet date based on invoice date is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within three months	76,286	54,629
Four to six months	6,514	7,532
Over six months	31,542	8,933
	<hr/>	<hr/>
	114,342	71,094
Less: Provision for doubtful debts	(5,484)	(3,362)
	<hr/>	<hr/>
	108,858	67,732
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9. 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 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within three months	36,285	34,859
Four to six months	4,289	1,223
Over six months	8,093	416
	<hr/>	<hr/>
	48,667	36,498
	<hr/> <hr/>	<hr/> <hr/>

10. Related party transactions

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Purchases of raw materials and work in progress from associates	(a)	13,393	6,667
Sales of finished goods to an associate	(b)	<u>34</u>	<u>32,050</u>

(a) 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.

(b) The directors consider that the sales of finished goods were made according to the terms and conditions as set out in their agreements.

11. Contingent liabilities

Contingent liabilities not provided for in the financial statements at the balance sheet date are as follows:

	30 June 2002	31 December 2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to associates	<u>44,040</u>	<u>50,825</u>

12. Acquisition of subsidiaries

During the period, the Group acquired a 70% equity interest in a subsidiary, Dragon Century Investment Limited, for a cash consideration of HK\$7,000,000. In addition, the Group acquired an additional 31.7% equity interest in Elegant Stone, a 44.4% associate of the Group as at 31 December 2001, which became a subsidiary of the Group thereafter. Of the 31.7% equity interest in Elegant Stone acquired during the period, 5% was satisfied by a cash consideration of approximately HK\$6,500,000 and the remaining 26.7% was transferred to the Group pursuant to a deed of guarantee as further detailed in note 3 under the condensed consolidated statement of changes in equity.

13. Capital commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted but not provided for:		
Acquisition of a subsidiary	—	7,020
Acquisition of an associate	20,400	30,400
Acquisition of a joint venture company	21,450	21,450
	<u>41,850</u>	<u>58,870</u>

14. Post balance sheet events

The Group entered into a sale and purchase agreement on 31 July 2001 to acquire an additional 25% equity interest in Treasure Auctioneer International Limited, an existing associate of the Group, at a consideration of HK\$38,000,000 from an independent third party. The acquisition should be completed on 31 October 2001 or any such other time as mutually agreed. The Group paid deposits totalling HK\$7,600,000 in 2001. On 15 April 2002, the parties entered into a supplementary agreement to extend the completion date to 25 July 2002 in return for the Group's payments of further deposits of HK\$5,000,000 on 18 April 2002 and HK\$5,000,000 on 25 April 2002. On 19 July 2002, the parties entered into a supplementary agreement to further extend the completion date to 30 September 2002 in return for the Group's payment of further deposit of HK\$10,000,000 on 23 July 2002.

15. Approval of the interim financial report

These condensed interim financial statements were approved and authorised for issue by the board of directors on 19 September 2002.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2002 (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group sustained an unaudited consolidated loss of HK\$9.86 million for the six months ended 30 June 2002 compared to a net profit of HK\$2.07 million in 2001. Segment results are presented in note 2 of this report. Both marble and granite and others segments had adverse results which was the main cause for the loss.

SEGMENT INFORMATION

Turnover by activity

Turnover for the period amounted to HK\$175.86 million (2001: HK\$179.32 million). Paint products sales continued to be the core business of the Group. Its weighting in turnover was 85.1% for the period (2001: 95.7%). The fall in weighting was entirely due to the revenue from marble and granite sales which was included in this period's turnover after the business became the Group's subsidiary. Property investment was quiet and its turnover was marginally lower than that of last period. Turnover for others segment fell slightly with mixed results in the underlying activities.

BUSINESS REVIEW

Paint products

The Group had achieved a satisfactory performance in spite of weak economical environment. Turnover amounted to HK\$149.70 million (2001: HK\$171.62 million). The decrease was largely attributable to the absence of sale of materials to a former associate which was disposed of in the second half of 2001. Discounting this factor, turnover for the period would show a 7.3% growth over last period's figure. Operating profit fell slightly to HK\$20.92 million (2001: HK\$22.14 million) mainly due to increased selling expenses such as rebates, delivery and promotion expenses.

Property

During the period, the Group remained inactive on its property investments in light of the sluggish property market. Turnover was virtually unchanged at HK\$1.19 million compared to HK\$1.03 million in 2001. Operating profit amounted to HK\$1.09 million (2001: HK\$1.16 million). Development projects in Sai Kung and Mui Wo were still in the progress of applying of a land re-grant and in negotiations with the Hong Kong SAR Government.

Marble and granite mining and trading

Marble and granite operation suffered a loss of HK\$6.19 million for the six months ended 30 June 2002 (2001: loss of HK\$4.08 million). The Group's share of its loss totalled HK\$3.36 million for the period. Turnover for the period amounted to HK\$32.56 million (2001: HK\$29.58 million). Retail sale was lower than that of last period due to poor consumption power. Although the operation had increased its project sales, the profit margin was low due to inadequate manpower for cost control. Following the sudden passing of the managing director and major shareholder

of the operation in March, the Group increased its stake from 44.4% to 76.1% to secure management control. Since then, the Group had effective control over the business and streamlined its operation, implemented cost-saving measures reducing costs to strengthen its competitiveness and at the same time explored new revenue lines.

Quarrying and trading

The licence ownership registration in Mainland China is expected to be completed by the end of 2002. Accordingly, production of aggregate was delayed to the second half of the year.

Information technology

The treasure auction business still recorded negative results for the period although improvements could be seen in areas such as successful rate, premium rate and growth in client number. During the period, the operation had successfully established agencies in Shanghai, Beijing and Chengdu. The company is aiming to build up an agency network in Mainland China to broaden its clientele which would increase revenue in the coming years.

During the period, the education web business showed improvement on revenue from student recruitment activities. The operation would concentrate on this item and keep operational costs at a minimum level to achieve better results in the latter part of the year.

Oil manufacturing and trading

This operation was categorised under others segment and had a loss of HK\$4.55 million, representing set-up costs incurred prior to production. During the period, a production line was established in Singapore to manufacture environmental fuel for

sale in Japan. The environmental fuel industry began in Japan about three years ago. The business has been fast growing and has promising potential for development. The Group's first fuel sale commenced in July 2002.

Steel products trading and securities dealing

These two operations were included in others segment but recorded opposite results. Steel products trading had outstanding performance due to increased market activities. On the other hand, securities dealing fell sharply in light of the poor stock market.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's total shareholder's funds amounted to HK\$1,059.58 million at 30 June 2002 compared to HK\$1,035.80 million at the end of last year. The increase was mainly due to an adjustment of purchase consideration for an acquisition of a subsidiary which decreased the goodwill previously eliminated against capital reserve. Net asset value per share increased slightly to HK\$0.69 from last year end's value of HK\$0.68.

The Group's funding derived mainly from its retained earnings. Cash flow remained steady with cash and cash equivalents of HK\$65.16 million (31 December 2001: HK\$111.70 million) and a liquidity ratio (current assets / current liabilities) of 1.90 times (31 December 2001: 2.01 times). At 30 June 2002, bank and other borrowings amounted to HK\$146.02 million (31 December 2001: 122.55 million) of which HK\$61.09 million is payable within one year, HK\$6.50 million is payable within two years, HK\$21.94 million is payable from three to five years and HK\$56.49 million is payable beyond five years. Interest rates of the bank loans ranged from 3.6% to 7.5% per annum. The risk of currency exposure would be immaterial as most borrowings

were in HK\$ and RMB. Both current assets and current liabilities increased by HK\$88.89 million and HK\$54.46 million respectively mainly due to the consolidation of the marble and granite business after becoming the Group's subsidiary. The Group's gearing ratio (long term debt / equity) was virtually unchanged at 8.1% (31 December 2001: 8.0%).

Contingent liabilities

At 30 June 2002, the Group issued guarantees of HK\$44.04 million (31 December 2001: HK\$50.83 million) to bankers to secure general banking facilities to certain associates. Guarantees issued by the Company to bankers to secure general banking facilities to various subsidiaries outstanding at 30 June 2002 amounted to HK\$82.41 million (31 December 2001: HK\$85.04 million).

Pledge of assets

Land and buildings and investment properties with aggregate net book values of HK\$327.19 million (31 December 2001: HK\$318.12 million) were pledged to banks as collaterals for general banking facilities. At 30 June 2002, the total outstanding secured bank and other borrowings amounted to HK\$140.38 million (31 December 2001: HK\$116.90 million).

STAFF

At 30 June 2002, the Group's staff headcount was 926 (2001: 668). Staff costs amounted to HK\$27.46 million (2001: HK\$25.74 million). The increase was mainly due to the inclusion of staff from the marble and granite business. There have been no significant changes in the Group's employment and remuneration policies for the period under review.

OUTLOOK

The global economy continued to slow in the first half of this year. Investors lost interest in buying whilst consumers have no confidence in spending. The situation is more severe in Hong Kong with stock market at a low point and a growing unemployment rate. While the rest of the year will be challenging, the Group is confident that its core business paint manufacturing would have steady growth for the remaining months. The Group would rationalise its investments and operational costs to enhance shareholders' value.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND DEBT SECURITIES

At 30 June 2002, the interests of the directors of the Company in the share capital of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name	Number of shares held		
	Personal interests	Other interests	Total
Tsui Tsin Tong	6,000,000	—	6,000,000
Sir David Akers-Jones	2,405,000	—	2,405,000
Tsui Ho Chuen, Philip	—	537,473,906 *	537,473,906
Tsui Yam Tong, Terry	1,124,000	537,473,906 *	538,597,906
Lau Wong Fat	500,000	—	500,000

* Such interests arose as a result of Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry each being a discretionary object of a discretionary trust, the corporate trustee of which, Rapid Growth Ltd., beneficially held 537,473,906 shares in the Company under the SDI Ordinance at 30 June 2002.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND DEBT SECURITIES (continued)

At 30 June 2002, the interests of the directors of the Company in options to subscribe for shares in the Company under the share option schemes of the Company adopted on 2 May 1991 and 13 June 2001 respectively were as follows:

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options	
				Balance at 1 January 2002	Balance at 30 June 2002
Tsui Tsin Tong	27 September 2001	27 September 2001 to 26 September 2006	0.1576	38,000,000	38,000,000
Sir David Akers-Jones	23 August 2000	23 August 2000 to 22 August 2003	0.224	1,000,000	1,000,000
Tsui Ho Chuen, Philip	23 August 2000	23 August 2000 to 22 August 2003	0.224	6,000,000	6,000,000
	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	4,000,000
	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	33,500,000
Tsui Yam Tong, Terry	23 August 2000	23 August 2000 to 22 August 2003	0.224	6,000,000	6,000,000
	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	4,000,000
	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	33,500,000
Lam Ting Ball, Paul	27 September 2001	27 September 2001 to 26 September 2006	0.1576	10,000,000	10,000,000
Wu Tat Po	23 August 2000	23 August 2000 to 22 August 2003	0.224	1,000,000	1,000,000
	27 September 2001	27 September 2001 to 26 September 2006	0.1576	21,000,000	21,000,000

DIRECTORS' INTERESTS IN SHARE CAPITAL AND DEBT SECURITIES (continued)

The spouse of Mr. Tsui Yam Tong, Terry was granted an option to subscribe for 750,000 shares in the Company on 27 September 2001. Such option is valid and exercisable between 27 September 2001 to 26 September 2006 at an exercise price of HK\$0.1576 per share, which remained unexercised at 30 June 2002.

Save as disclosed above, none of the directors or their respective associates had any interest (including personal, family or corporate interests) in the share capital or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance at 30 June 2002, and no right had been granted to, or exercised by, any director of the Company, or his spouse, or children under 18 years of age to subscribe for shares in or debt securities of the Company during the period under review.

SHARE OPTION SCHEMES

Pursuant to the share option schemes of the Company adopted on 2 May 1991 and 13 June 2001 respectively, certain share options were granted to employees (other than the directors of the Company) of the Group working under continuous contracts, details of which at 30 June 2002 are as follows:

Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options		
			Balance at 1 January 2002	Lapsed during the period	Balance at 30 June 2002
23 August 2000	23 August 2000 to 22 August 2003	0.224	4,000,000	(2,000,000)	2,000,000
27 September 2001	27 September 2001 to 26 September 2006	0.1576	16,284,000	(1,152,000)	15,132,000

Particulars of the share options granted to each of the directors of the Company are set out in the section headed "Directors' interests in share capital and debt securities" above.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, according to the register kept by the Company under Section 16 of the SDI Ordinance, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held
Rapid Growth Ltd. (Note 1)	537,473,906
Jade Fortune Venture Limited (Note 2)	200,000,000

Notes:

1. The interest of Rapid Growth Ltd. is detailed in the section headed "Directors' interests in share capital and debt securities" as set out above.
2. Jade Fortune Venture Limited was taken to have an interest in 200,000,000 shares in the Company by virtue of a security interest over these shares charged by Rapid Growth Ltd.. Morganite Holding Limited and Mr. Tse Cho Tseung were deemed to be interested in these shares under the SDI Ordinance by virtue of their shareholding interests in Jade Fortune Venture Limited.

Save as disclosed above, the directors of the Company are not aware of any other person who, at 30 June 2002, was directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On behalf of the board
Tsui Tsin Tong
Chairman

Hong Kong, 19 September 2002

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