



CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

**INTERIM
REPORT**

2012

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 2012 together with comparative amounts for the corresponding period in 2011. These condensed consolidated interim 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 2012

		Six months ended 30 June	
		2012	2011
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE		618,080	575,671
Cost of sales		<u>(487,446)</u>	<u>(457,701)</u>
Gross profit		130,634	117,970
Other income and gains	3	8,826	10,646
Selling and distribution costs		(56,621)	(55,087)
Administrative expenses		(55,876)	(50,963)
Other expenses, net		<u>(122)</u>	<u>(2,237)</u>
		26,841	20,329
Equity-settled share option expense	12	(2,507)	(3,825)
Finance costs	4	(1,556)	(2,213)
Share of profits and losses of associates		<u>1,200</u>	<u>1,422</u>
PROFIT BEFORE TAX	5	23,978	15,713
Income tax expenses	6	<u>(8,451)</u>	<u>(5,307)</u>
PROFIT FOR THE PERIOD		<u>15,527</u>	<u>10,406</u>

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)*For the six months ended 30 June 2012*

		Six months ended 30 June	
	Notes	2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		15,513	10,451
Non-controlling interests		14	(45)
		<u>15,527</u>	<u>10,406</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		<u>HK0.82 cents</u>	<u>HK0.55 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>15,527</u>	<u>10,406</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Gain on property revaluation	—	4,767
Share of other comprehensive income/(loss) of an associate	(18)	916
Exchange differences on translation of foreign operations	<u>(4,692)</u>	<u>8,463</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(4,710)</u>	<u>14,146</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>10,817</u></u>	<u><u>24,552</u></u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	10,843	24,501
Non-controlling interests	<u>(26)</u>	<u>51</u>
	<u><u>10,817</u></u>	<u><u>24,552</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	313,743	311,821
Investment properties		141,656	141,825
Properties under development		28,000	28,000
Prepaid land lease payments		22,564	23,034
Interests in associates		11,686	10,734
Available-for-sale investments		125,783	125,783
Deposits for purchases of items of property, plant and equipment		14,143	9,384
Net pension scheme assets		2,531	2,531
Deferred tax assets		6,016	5,560
Total non-current assets		<u>666,122</u>	<u>658,672</u>
CURRENT ASSETS			
Inventories		83,663	81,160
Trade and bills receivables	10	289,737	292,287
Prepayments, deposits and other receivables		23,413	23,660
Equity investments at fair value through profit or loss		6,276	300
Cash and cash equivalents		288,133	319,476
Total current assets		<u>691,222</u>	<u>716,883</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	11	136,554	167,822
Other payables and accruals		113,998	127,708
Dividend payable		9,442	—
Due to an associate		2,550	2,200
Interest-bearing bank and other borrowings		112,355	100,186
Tax payable		9,563	9,466
Total current liabilities		<u>384,462</u>	<u>407,382</u>
NET CURRENT ASSETS		<u>306,760</u>	<u>309,501</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>972,882</u>	<u>968,173</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		36,215	38,990
Deferred tax liabilities		18,542	16,802
Deferred income		3,976	4,168
Provision		26,818	24,764
Total non-current liabilities		<u>85,551</u>	<u>84,724</u>
Net assets		<u>887,331</u>	<u>883,449</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		188,841	188,841
Reserves		694,806	690,898
		<u>883,647</u>	<u>879,739</u>
Non-controlling interests		<u>3,684</u>	<u>3,710</u>
Total equity		<u>887,331</u>	<u>883,449</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent

Note	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve *		Investment property revaluation reserve * (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds ** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					revaluation (Unaudited) HK\$'000	reserve (Unaudited) HK\$'000								
At 1 January 2012	188,841	81,145	18,349	358,793	46,499	46,499	13,557	10,144	42,721	30,102	84,184	874,335	3,710	878,045
As previously reported	—	—	—	—	—	—	—	—	—	—	5,404	5,404	—	5,404
Prior year adjustment	1	—	—	—	—	—	—	—	—	—	—	—	—	—
At 1 January 2012 (Restated)	188,841	81,145	18,349	358,793	46,499	46,499	13,557	10,144	42,721	30,102	89,588	879,739	3,710	883,449
Profit for the period	—	—	—	—	—	—	—	—	—	—	15,513	15,513	14	15,527
Other comprehensive loss for the period:														
Share of other comprehensive loss of an associate	—	—	—	—	—	—	—	—	—	(18)	—	(18)	—	(18)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(4,652)	—	—	(4,652)	(40)	(4,692)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	—	(4,652)	(18)	15,513	10,843	(26)	10,817
Final 2011 dividend declared	—	—	—	(9,442)	—	—	—	—	—	—	—	(9,442)	—	(9,442)
Equity-settled share option arrangement	—	—	2,507	—	—	—	—	—	—	—	—	2,507	—	2,507
At 30 June 2012	188,841	81,145	20,856	348,351	46,499	46,499	13,557	10,144	38,069	30,084	105,101	883,647	3,684	887,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Attributable to owners of the parent

	Note	Attributable to owners of the parent										Total equity (Unaudited) HK\$'000		
		Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve* (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000		Non-controlling interests (Unaudited) HK\$'000	
At 1 January 2011		188,841	81,145	11,871	377,677	41,732	13,557	10,144	23,263	28,886	42,348	819,444	3,832	823,276
As previously reported		—	—	—	—	—	—	—	—	—	4,937	4,937	—	4,937
Prior year adjustment	1	—	—	—	—	—	—	—	—	—	—	—	—	—
At 1 January 2011 (Restated)		188,841	81,145	11,871	377,677	41,732	13,557	10,144	23,263	28,886	47,285	824,381	3,832	828,213
Profit/(loss) for the period		—	—	—	—	—	—	—	—	—	10,451	10,451	(45)	10,406
Other comprehensive income for the period:		—	—	—	—	—	—	—	—	—	—	—	—	—
Gain on property revaluation		—	—	—	4,767	—	—	—	—	—	—	4,767	—	4,767
Share of other comprehensive income of an associate		—	—	—	—	—	—	—	79	837	—	916	—	916
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	8,367	—	—	8,367	96	8,463
Total comprehensive income for the period		—	—	—	—	4,767	—	—	8,446	837	10,451	24,501	51	24,552
Final 2010 dividend declared		—	—	—	(18,884)	—	—	—	—	—	—	(18,884)	—	(18,884)
Equity-settled share option arrangement		—	—	3,825	—	—	—	—	—	—	—	3,825	—	3,825
At 30 June 2011 (Restated)		188,841	81,145	15,696*	358,793*	46,499*	13,557*	10,144*	31,709*	29,709*	57,736*	833,823	3,883	837,706

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

- * The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were reclassified as investment properties in prior years. This revaluation reserve arose while the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is transferred to retained profits only upon the disposal or retirement of the relevant assets and such transfer is not made in the condensed consolidated income statement.
- ** Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries and an associate 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. These PRC entities are not required to effect any further transfer when the amount of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good future losses or to increase their registered capital.
- # These reserve accounts comprise the consolidated reserves of HK\$694,806,000 (2011: HK\$644,982,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(17,866)	(27,831)
Net cash flows from/(used in) investing activities	(14,021)	28,469
Net cash flows from/(used in) financing activities	9,788	(13,372)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(22,099)	(12,734)
Cash and cash equivalents at beginning of period	307,437	248,846
Effect of foreign exchange rate changes, net	(2,112)	4,128
	<hr/>	<hr/>
Cash and cash equivalents at end of period	283,226	240,240
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	155,174	156,017
Non-pledged time deposits with original maturity of less than three months when acquired	128,052	83,561
Pledged time deposits with original maturity of less than three months when acquired	—	662
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	283,226	240,240
Time deposits with original maturity of more than three months when acquired	4,907	26,206
	<hr/>	<hr/>
Cash and cash equivalents and pledged deposits as stated in the condensed consolidated statement of financial position	288,133	266,446
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of these 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 2011, except that 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 are adopted for the first time for the current period’s unaudited condensed consolidated interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

Except for the Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* as further explained below, the adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Basis for preparation and accounting policies (continued)

Amendments to HKAS 12 were issued in December 2010 by HKICPA to clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value model in accordance with HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in accordance with HKAS 16 *Property, Plant and Equipment* should always be measured on a sale basis. As a result of the amendments, Hong Kong (SIC) – 21 *Income Taxes — Recovery of Revalued Non-depreciable Assets* was superseded since the Amendments to HKAS 12 became effective.

Upon the adoption of the Amendments to HKAS 12, the Group measures deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes are summarised below.

	Six months ended 30 June		
	2012	2011	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
<i>Consolidated income statement</i>			
Decrease in income tax expenses	—	—	
Increase in profit for the period	—	—	
	<u> </u>	<u> </u>	
Increase in basic and diluted earnings per share	—	—	
	<u> </u>	<u> </u>	
	30 June	31 December	1 January
	2012	2011	2011
	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000
<i>Consolidated statement of financial position</i>			
Decrease in deferred tax liabilities	5,404	5,404	4,937
Increase in retained profits	(5,404)	(5,404)	(4,937)
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Basis for preparation and accounting policies (continued)

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 7 and HKFRS 9 Amendments	Amendments to HKFRS 9 <i>Financial Instruments</i> and HKFRS 7 <i>Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	<i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Basis for preparation and accounting policies (continued)

HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ²
<i>Annual Improvements 2009 – 2011 Cycle</i>	Amendments to a number of HKFRSs contained in <i>Annual Improvements 2009 – 2011 Cycle</i> issued in June 2012 ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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 the Group's 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 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the paint products segment engages in the manufacture and sale of paint products and related services;
- (b) the property investment segment comprises:
 - (i) the investment in residential and commercial premises for their rental income potential; and
 - (ii) the development and sale of properties;
- (c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and
- (d) the “others” segment comprises, principally, other trading and investment holding.

The chief operating decision maker regularly reviews the operating results of its operating segments separately for the purpose of resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, deferred tax assets, net pension scheme assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Operating 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 2012 and 2011.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended					
30 June 2012					
Segment revenue:					
Sales to external customers	424,961	3,272	189,847	—	618,080
Intersegment sales	—	3,755	—	—	3,755
Other income and gains, net	3,949	(279)	4,270	157	8,097
	<u>428,910</u>	<u>6,748</u>	<u>194,117</u>	<u>157</u>	<u>629,932</u>
Reconciliation :					
Elimination of intersegment sales					<u>(3,755)</u>
Total revenue					<u><u>626,177</u></u>
Segment results	22,160	2,876	6,547	(1,173)	30,410
Reconciliation :					
Elimination of intersegment results					4,103
Interest income					729
Finance costs					(1,556)
Equity-settled share option expense					(2,507)
Corporate and other unallocated expenses					<u>(7,201)</u>
Profit before tax					<u><u>23,978</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Operating segment information (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended					
30 June 2011					
Segment revenue:					
Sales to external customers	449,653	3,070	122,948	—	575,671
Intersegment sales	—	3,406	—	—	3,406
Other income and gains	2,236	6,412	592	527	9,767
	<u>451,889</u>	<u>12,888</u>	<u>123,540</u>	<u>527</u>	<u>588,844</u>
Reconciliation :					
Elimination of intersegment sales					<u>(3,406)</u>
Total revenue					<u>585,438</u>
Segment results	19,418	6,765	2,622	(1,114)	27,691
Reconciliation :					
Elimination of intersegment results					3,815
Interest income					879
Finance costs					(2,213)
Equity-settled share option expense					(3,825)
Corporate and other unallocated expenses					<u>(10,634)</u>
Profit before tax					<u>15,713</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Operating segment information (continued)

The following tables present segment assets of the Group's reportable operating segments as at 30 June 2012 and 31 December 2011.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 30 June 2012					
Segment assets	559,421	310,432	57,119	134,267	1,061,239
Reconciliation :					
Elimination of intersegment receivables					(1,282)
Corporate and other unallocated assets					<u>297,387</u>
Total assets					<u><u>1,357,344</u></u>
	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000
As at 31 December 2011					
Segment assets	557,349	313,738	45,709	131,285	1,048,081
Reconciliation :					
Elimination of intersegment receivables					(1,222)
Corporate and other unallocated assets					<u>328,696</u>
Total assets					<u><u>1,375,555</u></u>

During the six months ended 30 June 2012, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK\$100,426,000 (six months ended 30 June 2011: HK\$62,341,000) individually accounted for over 10% of the Group's revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Other income and gains

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	729	879
Commission income	275	359
Government grants received from Mainland China authorities	846	710
Fair value gain on an equity investment at fair value through profit or loss – held for trading	—	144
Foreign exchange differences, net	727	—
Gain on disposal of non-current assets classified as held for sale	—	6,400
Gain on disposal of items of property, plant and equipment, net	115	—
Gain on disposal of a subsidiary	60	—
Recognition of deferred income	158	152
Recovery of amounts due from an associate previously written off	3,806	—
Others	2,110	2,002
	<u>8,826</u>	<u>10,646</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Finance costs

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	1,861	1,913
Bank loans not wholly repayable within five years	345	445
Finance leases	4	21
	<u>2,210</u>	<u>2,379</u>
Less: Interest capitalised	(654)	(166)
	<u>1,556</u>	<u>2,213</u>

5. Profit before tax

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories sold	487,446	457,701
Depreciation	11,024	11,321
Amortisation of an intangible asset	—	75
Amortisation of prepaid land lease payments	274	265
Provision for/(reversal of) impairment of trade receivables	(40)	2,151
Write-down of inventories to net realisable value	1,463	1,261
	<u>1,463</u>	<u>1,261</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Income 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.

The share of tax attributable to an associate amounting to HK\$111,000 (six months ended 30 June 2011: HK\$256,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

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

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 June 2012 attributable to ordinary equity holders of the parent of HK\$15,513,000 (six months ended 30 June 2011: HK\$10,451,000) and the weighted average number of ordinary shares of 1,888,405,690 (six months ended 30 June 2011: 1,888,405,690) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2012 in respect of a potential dilution as the exercise price of the outstanding share options granted by the Company was higher than the average market price of the shares of the Company during the period, and accordingly, the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

There was no other diluting events existed during the six months ended 30 June 2012 and 2011.

8. Dividend

At the annual general meeting held on 28 June 2012, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2011 of HK0.5 cent (year ended 31 December 2010: HK1 cent) per share which amounted to approximately HK\$9,442,000 (year ended 31 December 2010: HK\$18,884,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment at costs of HK\$14,659,000 (six months ended 30 June 2011: HK\$7,985,000).

Items of property, plant and equipment with an aggregate net book value of HK\$347,000 (six months ended 30 June 2011: HK\$257,000) were disposed of by the Group during the six months ended 30 June 2012, resulting in a net gain on disposal of HK\$115,000 (six months ended 30 June 2011: net loss on disposal of HK\$35,000).

10. 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 and bills receivables relate to a large number of diversified customers and reputable banks, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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 end of the reporting period, based on the payment due date and net of impairment, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Neither past due nor impaired	212,851	246,520
Within three months	62,652	40,523
Over three months and within six months	8,030	4,547
Over six months	6,204	697
	289,737	292,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Trade and bills payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within three months	135,448	164,936
Over three months and within six months	1,085	2,872
Over six months	21	14
	<u>136,554</u>	<u>167,822</u>

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

12. Share option scheme

On 27 May 2010, 152,800,000 share options to subscribe for a total of 152,800,000 new shares of the Company of HK\$0.10 each were granted under the share option scheme approved by the shareholders of the Company on 28 June 2002 (the "2002 Scheme"). The 2002 Scheme was adopted by the Company for the purpose of providing incentives to attract and retain employees of the Group, as well as other eligible persons, who made contributions to the Group. Unless terminated by resolution in general meeting or by the board of directors, the 2002 Scheme shall be valid and effective for a period of 10 years commencing on 28 June 2002, after which period no further options will be issued but, in all other respects, the provisions of the 2002 Scheme shall remain in full force and effect.

The equity-settled share options granted on 27 May 2010 vest over a period of four years from the grant date, of which 50% of the share options vested immediately on the grant date, 10% of the share options vesting on 27 May 2011, 10% of the share options vesting on 27 May 2012, 10% of the share options vesting on 27 May 2013 and 20% of the share options vesting on 27 May 2014. These share options are exercisable at HK\$0.44 per share and must be exercised within five years from the grant date, and if not so exercised, the share options shall lapse. These share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Share option scheme (continued)

None of the share options granted on 27 May 2010 under the 2002 Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2012 and 2011. No share option was granted during the six months ended 30 June 2012 and 2011.

The fair value of the share options granted on 27 May 2010 was HK\$26,302,000 of which the Group recognised a share option expense of HK\$2,507,000 during the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$3,825,000).

13. Related party transactions

(a) Outstanding balances with related parties:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Loan to an associate	1,819	1,819
Due to an associate	—	(4)

The loan to an associate and amount due to an associate are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, the loan to an associate is considered as quasi-equity investment in the associate.

The amount due to another associate included in the Group's current liabilities as at 30 June 2012 totalling HK\$2,550,000 (31 December 2011: HK\$2,200,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Related party transactions (continued)

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	7,953	7,195
Post-employment benefits	260	403
Consultancy fee	150	—
Total compensation paid/payable to key management personnel	8,363	7,598

14. Capital commitments

	30 June	31 December
	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Contracted, but not provided for:		
Purchases of land use rights	1,908	1,925
Capital contribution to subsidiaries	15,513	15,533
Construction and purchases of items of property, plant and equipment	36,912	46,636
	54,333	64,094
Authorised, but not contracted for:		
Capital contribution to a subsidiary	—	15,533
	54,333	79,627

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Comparative amounts

As further explained in note 1, due to the adoption of HKAS 12 Amendments during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation.

16. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23 August 2012.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a profit attributable to the shareholders of the Company of approximately HK\$15.51 million for the six months ended 30 June 2012 as compared with that of approximately HK\$10.45 million for the last corresponding period.

The Group recorded revenue of approximately HK\$618.08 million, representing an increase of 7.4% when compared with that of last period. The Group's gross profit for the period increased by 10.7% when compared with that of last period to approximately HK\$130.63 million. The increase in gross profit was mainly due to the decrease in raw material costs during the period under review.

The manufacturing and sale of paint products continued to be the core business of the Group. Its weight in the total revenue was approximately 68.8% for the period under review.

Paint Products

Revenue for the period amounted to approximately HK\$424.96 million, representing a decrease of 5.5% when compared with that of last period. The decrease in raw material costs contributed the increase in gross profit when compared with that of last period. The operating profit was improved to approximately HK\$22.16 million, representing an increase of approximately 14.1% when compared with that of last period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Investment

Revenue for the period amounted to approximately HK\$3.27 million when compared with that of approximately HK\$3.07 million in last period. Operating profit amounted to approximately HK\$2.88 million compared with that of approximately HK\$6.77 million in last period. The decrease in operating profit for the period was mainly due to the recognition of a gain on disposal of property of approximately HK\$6.40 million in last period.

During the period under review, the Group had entered into an agreement for the sale and purchase of commodity housing for advance sale to acquire an office premise in Guangzhou, the PRC at a consideration of approximately HK\$12.45 million, which will be financed partly by internal resources of the Group and partly by bank loans and facilities, and the property is expected to be completed in June of 2013. The Group intends to use it as a sales office for the paint operation and hold it as a long term investment.

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$189.85 million, representing an increase of approximately 54.4% when compared with that of last period. Due to the increase in revenue together with the recovery of amounts due from an associate previously written off of HK\$3.81 million, the operating profit for the period amounted to approximately HK\$6.55 million when compared with that of approximately HK\$2.62 million in last period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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 special 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.

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\$288.13 million as at 30 June 2012 compared with approximately HK\$319.48 million as at 31 December 2011. Bank and other borrowings amounted to approximately HK\$148.57 million as at 30 June 2012 compared with approximately HK\$139.18 million as at 31 December 2011. 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 2012, approximately HK\$112.35 million (75.6%) is payable within one year, approximately HK\$5.63 million (3.8%) is payable in the second year, approximately HK\$17.40 million (11.7%) is payable in the third to fifth years and the remaining balance of HK\$13.19 million (8.9%) is payable beyond the fifth year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Liquidity and Financial Information (continued)

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's results 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 18.0% as at 30 June 2012 compared with 17.0% as at 31 December 2011. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.80 times as at 30 June 2012 compared with 1.76 times as at 31 December 2011.

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2012 was approximately HK\$883.65 million compared with approximately HK\$879.74 million as at 31 December 2011. 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 2012 was approximately HK\$823.59 million compared with approximately HK\$819.68 million as at 31 December 2011. Net asset value per share as at 30 June 2012 was approximately HK\$0.47 compared with approximately HK\$0.47 as at 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2012 amounted to approximately HK\$142.90 million compared with approximately HK\$68.80 million as at 31 December 2011.

Pledge of Assets

As at 30 June 2012, certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of approximately HK\$477.89 million (31 December 2011: HK\$492.32 million) were pledged to banks as collaterals for bank and other borrowings. As at 30 June 2012, total outstanding secured bank and other borrowings amounted to approximately HK\$148.57 million as compared with approximately HK\$126.85 million as at 31 December 2011.

STAFF

As at 30 June 2012, the Group's staff headcount was 1,142 (30 June 2011: 1,162). Staff costs (excluding directors' emoluments) amounted to approximately HK\$77.91 million for the period under review as compared with approximately HK\$65.81 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

Looking ahead, the operating environment for the Group will be challenging but full of opportunities. The Chinese Government has relaxed monetary policies recently. The central bank cut interest rates together with the reduction of banks' reserve requirement ratio bring a positive signal to the market that the Chinese Government is going to boost the economy.

In addition, the continuous advancement of the urbanisation is expected to translate into a strong demand for paint products. The Group will actively seize opportunities brought by the accelerated urbanisation and improved living standards to increase our market share.

The Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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

As at 30 June 2012, 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 Ho Chuen, Philip	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	19,681,414	—	257,372,206 *	257,372,206 *	277,053,620	14.67%
Tsui Yam Tong, Terry	1	Beneficiary of trust & interest of controlled corporation	—	—	257,372,206 *	257,372,206 *	257,372,206	13.62%
Chong Shaw Swee, Alan	2	Interest of controlled corporations	—	—	196,149,655	—	196,149,655	10.38%

* duplication

(ii) Underlying shares

Name	Note	Capacity	Nature of equity derivative (unlisted/physically settled)	Number of underlying shares
Tsui Ho Chuen, Philip	3	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry	3	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 257,372,206 shares were held by Rapid Growth Ltd. ("RGL") as trustee of a discretionary trust of which Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Prime Treasure Holdings Limited ("Prime Treasure") was taken to be interested in this block of 257,372,206 shares under the SFO by virtue of a security interest in these shares charged by RGL. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Treasure. Mr. Tsui Yam Tong, Terry is the sole director and shareholder of RGL.
- (2) The details of the interest of controlled corporations held by Mr. Chong Shaw Swee, Alan are shown in note (7) to the heading "Interests and short positions of shareholders discloseable under the SFO" below.
- (3) 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 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 2012, 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.

SHARE OPTIONS

Details of the movement in the share options of the Company during the review period are as follows:

Category of eligible participants	Date of grant	Exercise period	Exercise price per share HK\$	Balance at 1.1.2012	Number of shares under options			Balance at 30.6.2012
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	152,800,000	—	—	—	152,800,000

Note:

The vesting periods of the options granted are as follows:

10% : 27 May 2010 to 26 May 2011

10% : 27 May 2010 to 26 May 2012

10% : 27 May 2010 to 26 May 2013

20% : 27 May 2010 to 26 May 2014

50% of the options granted is exercisable on the date of grant.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2012, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
10% or more of issued share capital					
RGL	1	Trustee	257,372,206	—	13.62%
	1	Trustee	—	98,000,000	5.18%
Prime Treasure	2	Security interest in shares	257,372,206	—	13.62%
Ho Mei Po, Mabel	3	Interest of spouse	277,053,620	—	14.67%
	3	Interest of spouse	—	98,000,000	5.18%
Wang Wing Mu, Amy	4	Interest of spouse	263,989,894	—	13.97%
	4	Interest of spouse	—	98,000,000	5.18%
Ng Shou Ping, Lucilla	5	Interest of spouse	257,372,206	—	13.62%
	5	Interest of spouse	—	98,000,000	5.18%
Diamond Season Limited	6	Beneficial owner	314,734,281	—	16.66%
Rightwood Enterprises Inc.	6	Interest of controlled corporation	314,734,281	—	16.66%
Lam Hok Chung, Rainier	6	Trustee	314,734,281	—	16.66%
Jong Yat Kit	6	Trustee	314,734,281	—	16.66%

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
Chinaculture.com Limited	7	Beneficial owner	196,149,655	—	10.38%
Chuang's China Investments Limited	7	Interest of controlled corporation	196,149,655	—	10.38%
Profit Stability Investments Limited	7	Interest of controlled corporations	196,149,655	—	10.38%
Chuang's Consortium International Limited	7	Interest of controlled corporations	196,149,655	—	10.38%
Evergain Holdings Limited	7	Interest of controlled corporations	196,149,655	—	10.38%
Chong Ho Pik Yu	7	Interest of spouse	196,149,655	—	10.38%
Below 10% of issued share capital					
West Avenue Group Co., Ltd.	8	Beneficial owner	162,216,693	—	8.59%
Tsai Wu Chang	8	Interest of controlled corporation	162,216,693	—	8.59%
Broadsino	9	Beneficial owner	98,000,000	—	5.18%

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

Notes:

- (1) The 257,372,206 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 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) Prime Treasure was taken to be interested in 257,372,206 shares under the SFO by virtue of a security interest in these shares charged by RGL. These interests are duplicated in the interests of Messrs. 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.
- (3) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 277,053,620 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.
- (4) Ms. Wang Wing Mu, Amy is the wife of the late Mr. Tsui Tsin Tong and was taken to be interested in 263,989,894 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested in the capacity of the beneficial owner and the founder of a discretionary trust under the SFO.
- (5) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 257,372,206 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.
- (6) The references to the 314,734,281 shares relate to the same block of 314,734,281 shares beneficially interested by Diamond Season Limited ("Diamond Season").

Diamond Season was a wholly-owned subsidiary of Rightwood Enterprises Inc. ("Rightwood"), which in turn was wholly owned by Mr. Lam Hok Chung, Rainier ("Mr. Lam") and Mr. Jong Yat Kit ("Mr. Jong") as joint and several administrators of the Estate of Kung, Nina.

Rightwood, Mr. Lam and Mr. Jong were all deemed under the SFO to be interested in these 314,734,281 shares which were owned by Diamond Season.

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

Notes: (continued)

- (7) The references to the 196,149,655 shares relate to the same block of 196,149,655 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 57.04% 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 40.49% of the issued share capital of Chuang’s Consortium. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu (“Mrs. Chong”) is the wife of Mr. Chong Shaw Swee, Alan.

Chuang’s China, Profit Stability, Chuang’s Consortium, Evergain, Mr. Chong Shaw Swee, Alan and Mrs. Chong were all deemed under the SFO to be interested in these 196,149,655 shares which were owned by Chinaculture.

- (8) The 162,216,693 shares were beneficially owned by West Avenue Group Co., Ltd. (“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.
- (9) 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.

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 2012 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.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2012, the Company has complied with the code provisions of the Code on Corporate Governance Practices (effective up to 31 March 2012) and of the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except the following:

- (1) 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.
- (2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full board. The board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the board and the appointment of any new director. Also, the board as a whole is responsible for approving the succession plan for the directors, including the Chairman and the Managing Director.
- (3) Two non-executive directors were unable to attend the annual general meeting of the Company held on 28 June 2012 due to other business commitment.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- (1) Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Treasure, a shareholder disclosable under the SFO having a security interest in 13.62% of the issued share capital of the Company.
- (2) Mr. Danny T Wong is a fellow member of The Hong Kong Institute of Directors.
- (3) Mr. Chong Shaw Swee, Alan is a director of The Real Estate Developers Association of Hong Kong, a standing committee member (last disclosure: member) of All-China Federation of Returned Overseas Chinese and an executive director (last disclosure in English version: director) of the Board of Trustees of Jimei University, Xiamen City. He ceased to be the deputy chairman of Chinese Literature Fund.

Save as disclosed above, there are no other changes in the information of the directors required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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 2012.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 23 August 2012

BOARD OF DIRECTORS

Executive Directors

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

Chan Wa Shek

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Steven Chow

Alternate Director

Chong Shaw Swee, Alan (alternate to Hung Ting Ho, Richard)

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