



CNT GROUP LIMITED

(北海集團有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF 2008 INTERIM RESULTS

INTERIM RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE		388,676	286,693
Cost of sales		(290,676)	(199,515)
Gross profit		98,000	87,178
Other income and gains	3	9,749	8,603
Selling and distribution costs		(52,362)	(44,944)
General and administrative expenses		(54,782)	(53,706)
Other expenses		(166)	(274)
Finance costs	4	(2,882)	(2,361)
Share of profit of an associate		410	375
LOSS BEFORE TAX	5	(2,033)	(5,129)
Tax	6	(3,293)	(2,671)
LOSS FOR THE PERIOD		(5,326)	(7,800)
ATTRIBUTABLE TO:			
Equity holders of the parent		(5,211)	(7,747)
Minority interest		(115)	(53)
		(5,326)	(7,800)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		0.33 cents	0.50 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		274,418	262,225
Investment properties		129,700	101,700
Properties under development		46,207	74,000
Prepaid land premiums		19,936	16,766
Interests in associates		3,528	1,767
Available-for-sale investments		167,077	167,077
Deposits for purchases of properties		10,482	6,757
Long term receivable		1,017	1,212
Deferred tax asset		6	6
Net pension scheme assets		1,740	1,740
Total non-current assets		<u>654,111</u>	<u>633,250</u>
CURRENT ASSETS			
Inventories		95,411	65,901
Trade receivables	8	134,710	106,508
Prepayments, deposits and other receivables		16,751	13,681
Equity investment at fair value through profit or loss		108	119
Pledged deposits		2,875	14,238
Cash and cash equivalents		<u>135,444</u>	<u>157,064</u>
Total current assets		<u>385,299</u>	<u>357,511</u>
CURRENT LIABILITIES			
Trade and bills payables	9	122,603	104,098
Other payables and accruals		73,884	78,097
Interest-bearing bank and other borrowings		68,284	38,195
Tax payable		<u>6,917</u>	<u>6,710</u>
Total current liabilities		<u>271,688</u>	<u>227,100</u>
NET CURRENT ASSETS		<u>113,611</u>	<u>130,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>767,722</u>	<u>763,661</u>

	30 June 2008 (Unaudited) Notes HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	61,746	64,776
Deferred tax liabilities	10,619	10,619
Deferred income	<u>4,918</u>	<u>4,750</u>
Total non-current liabilities	<u>77,283</u>	<u>80,145</u>
Net assets	<u>690,439</u>	<u>683,516</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	157,367	157,367
Reserves	<u>529,326</u>	<u>522,517</u>
	686,693	679,884
Minority interest	<u>3,746</u>	<u>3,632</u>
Total equity	<u>690,439</u>	<u>683,516</u>

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Hong Kong (International Financial Reporting Interpretations Committee) - Interpretations (“HK(IFRIC) - Int”)) issued by HKICPA for the first time for the current period’s condensed consolidated interim financial statements:

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

The adoption of the above new interpretations has had no material impact on the Group’s condensed consolidated interim financial statements.

The Group has not early applied any HKFRSs that have been issued but not yet effective in these condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2007.

2. Segment information

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

- (a) the paint products segment engages in the manufacturing and sale of paint products;
- (b) the property investment segment comprises:
 - (i) the investment in residential and commercial premises for their rental income potential;
 - (ii) the development and sale of properties; and

- (c) the iron and steel trading and others segment comprises the trading of iron and steel products and securities trading and investment.

Intersegment sales and transfers are transacted at mutually agreed terms.

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

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

3. Other income and gains

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

4. Finance costs

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

5. Loss before tax

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

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

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

The share of tax attributable to an associate amounting to HK\$87,000 (2007: HK\$80,000) is included in "Share of profit of an associate" on the face of the condensed consolidated income statement.

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

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$5,211,000 (2007: HK\$7,747,000) and the weighted average number of ordinary shares of 1,573,671,000 (2007: 1,539,472,000) in issue during the period.

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

8. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables, other than the amount classified as long term receivable, are non-interest-bearing. The long term receivable represents a trade receivable due for payment in more than twelve months.

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

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

9. Trade and bills payables

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

Paint products

Revenue for the period amounted to approximately HK\$320.37 million, representing an increase of approximately 22.4% when compared with that of last period. The paint business continued to have steady growth in the PRC. Relatively, operating profit for the period amounted to approximately HK\$5.16 million when compared with that of approximately HK\$5.77 million last period.

Property investment

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

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

Iron and steel trading and others

Iron and steel trading

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

Available-for-sale investments

Cemetery project

The Group has an effective 11.5% interest in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. There are six sales offices established in Hong Kong, Guangzhou, Foshan, Zhaoqing and Sihui for marketing purpose. Promotion campaigns have been launched, including regular tours of the cemetery, blessing ceremonies in the cemetery and participation in the Asia Funeral Expo 2008 in Macau to boost the publicity.

FINANCIAL REVIEW

Liquidity and financial information

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK\$138.32 million as at 30 June 2008 compared with approximately HK\$171.30 million as at 31 December 2007. Bank and other borrowings amounted to approximately HK\$130.03 million as at 30 June 2008 compared with approximately HK\$102.97 million as at 31 December 2007. The Group's bank and other borrowings mainly bear interest at floating rates. Of the Group's total bank and other borrowings as at 30 June 2008, approximately HK\$68.28 million (52.5%) is payable within one year, approximately HK\$9.69 million (7.5%) is payable in the second year, approximately HK\$19.00 million (14.6%) is payable in the third to fifth years and the remaining balance of HK\$33.06 million (25.4%) is payable beyond the fifth year.

The Group's bank and other borrowings were mainly in HK\$ and RMB and hence the risk of currency exposure was insignificant.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 20.6% as at 30 June 2008 compared with 16.5% as at 31 December 2007. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.42 times as at 30 June 2008 compared with 1.57 times as at 31 December 2007.

Equity and net asset value

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

Contingent liabilities

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

Pledge of assets

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

STAFF

As at 30 June 2008, the Group's staff headcount was 1,222 (30 June 2007 : 1,093). Staff costs (excluding directors' emoluments) amounted to approximately HK\$55.84 million for the period under review as compared with approximately HK\$39.90 million for the last period. The increase was mainly due to the reinforcement of sales and marketing teams in the PRC. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employee. In addition, the Group has also adopted a share option scheme that provides incentives to directors and other eligible persons.

OUTLOOK

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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 of Hong Kong Limited for the six months ended 30 June 2008, except that the non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election at least once every three years.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 18 September 2008

The board of directors of the Company as at the date hereof comprises Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip, Tsui Yam Tong, Terry and Chong Chi Kwan as executive directors; Messrs. Hung Ting Ho, Richard, Zhang Yulin and Ko Sheung Chi as non-executive directors; and Sir David Akers-Jones, Messrs. Danny T Wong, Chan Wa Shek and Dr. Steven Chow as independent non-executive directors.