



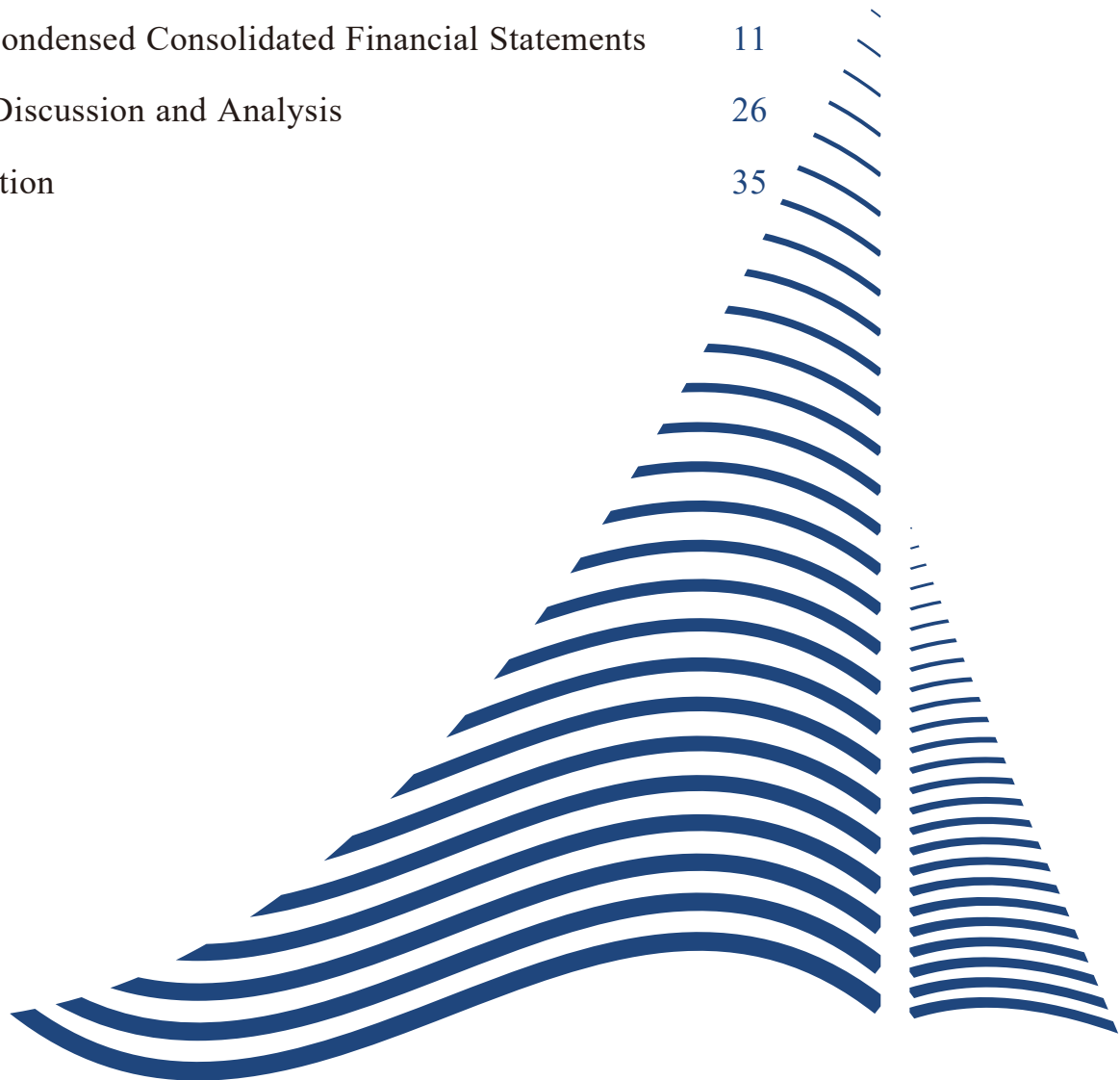
CNT GROUP LIMITED
北海集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code : 701)

Interim Report 2020

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul (*Chairman*)
Chong Chi Kwan (*Managing Director*)

Non-executive Directors

Tsui Ho Chuen, Philip
Chan Wa Shek
Zhang Yulin

Independent Non-executive Directors

Wu Hong Cho
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel
Ko Kwok Fai, Dennis

AUDIT COMMITTEE

Wu Hong Cho (*Chairman*)
Huang De Rui
Chan Wa Shek

REMUNERATION COMMITTEE

Wu Hong Cho (*Chairman*)
Lam Ting Ball, Paul
Huang De Rui

NOMINATION COMMITTEE

Wu Hong Cho (*Chairman*)
Chong Chi Kwan
Zhang Xiaojing

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

Ernst & Young
22nd Floor, CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong

SHARE REGISTRARS

Hong Kong

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

Unit E, 28th Floor, CNT Tower, 338 Hennessy Road
Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk



Interim Results

The board (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 2020 together with comparative amounts for the corresponding period in 2019. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Board's audit committee.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	3	293,904	365,202
Cost of sales		(198,819)	(274,847)
Gross profit		95,085	90,355
Other income and gains, net	3	16,274	494,709
Selling and distribution expenses		(42,722)	(64,227)
Administrative expenses		(62,676)	(79,607)
Other expenses, net		(14,486)	(8,639)
Fair value gains/(losses) on investment properties, net	10	(54,724)	2,056
Finance costs	4	(3,657)	(4,750)
Share of profits and losses of associates, net		(574)	(863)
PROFIT/(LOSS) BEFORE TAX	5	(67,480)	429,034
Income tax expenses	6	(1,195)	(951)
PROFIT/(LOSS) FOR THE PERIOD		(68,675)	428,083
ATTRIBUTABLE TO:			
Owners of the parent		(63,450)	440,062
Non-controlling interests		(5,225)	(11,979)
		(68,675)	428,083
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK(3.33) cents	HK23.12 cents



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(68,675)	428,083
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(15,387)	(778)
Share of other comprehensive loss of an associate	(160)	(20)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(15,547)	(798)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment designated at fair value through other comprehensive income	–	(625)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	–	(625)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(15,547)	(1,423)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(84,222)	426,660
ATTRIBUTABLE TO:		
Owners of the parent	(75,942)	438,746
Non-controlling interests	(8,280)	(12,086)
	(84,222)	426,660



Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	262,926	274,206
Investment properties	10	797,924	851,339
Properties under development		28,000	28,000
Right-of-use assets		100,415	105,714
Interests in associates		20,202	22,749
Equity investments designated at fair value through other comprehensive income		49,331	49,331
Deposits for purchases of properties, plant and equipment, and investment properties		818	9,962
Net pension scheme assets		4,694	4,694
Deferred tax assets		17,818	18,228
Total non-current assets		1,282,128	1,364,223
CURRENT ASSETS			
Inventories		61,082	70,290
Trade and bills receivables	11	321,200	318,449
Prepayments, deposits and other receivables		80,408	77,495
Tax recoverable		106	106
Pledged deposits		1,667	2,426
Cash and cash equivalents		408,819	465,374
Total current assets		873,282	934,140
CURRENT LIABILITIES			
Trade and bills payables	12	151,876	166,287
Other payables and accruals		71,905	83,362
Due to an associate		2,800	2,800
Interest-bearing bank borrowings		226,315	216,442
Lease liabilities		1,134	2,673
Tax payable		12,008	12,539
Total current liabilities		466,038	484,103
NET CURRENT ASSETS		407,244	450,037
TOTAL ASSETS LESS CURRENT LIABILITIES		1,689,372	1,814,260



Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	77	703
Deferred tax liabilities	21,972	21,272
Deferred income	1,319	1,485
Deposits received	4,000	4,000
	<hr/>	<hr/>
Total non-current liabilities	27,368	27,460
	<hr/>	<hr/>
Net assets	1,662,004	1,786,800
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	190,369
Reserves	1,346,683	1,460,699
	<hr/>	<hr/>
	1,537,052	1,651,068
Non-controlling interests	124,952	135,732
	<hr/>	<hr/>
Total equity	1,662,004	1,786,800
	<hr/> <hr/>	<hr/> <hr/>



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent												
	Issued share capital (Unaudited) HK\$'000	Share premium account (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	Fair value reserve of financial assets at fair value through other comprehensive income (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2020	190,369	88,970	220,241	44,948	-	7,523	(45,858)	(182,048)	21,709	1,305,214	1,651,068	135,732	1,786,800
Loss for the period	-	-	-	-	-	-	-	-	-	(63,450)	(63,450)	(5,225)	(68,675)
Other comprehensive income/ (loss) for the period:													
Share of other comprehensive income/ (loss) of an associate	-	-	-	-	-	-	(231)	-	71	-	(160)	-	(160)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(12,332)	-	-	-	(12,332)	(3,055)	(15,387)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	(12,563)	-	71	(63,450)	(75,942)	(8,280)	(84,222)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Final 2019 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	-	(38,074)	-	(38,074)
At 30 June 2020	<u>190,369</u>	<u>88,970[†]</u>	<u>182,167[†]</u>	<u>44,948[†]</u>	<u>-[‡]</u>	<u>7,523[†]</u>	<u>(58,421)[†]</u>	<u>(182,048)[†]</u>	<u>21,780[†]</u>	<u>1,241,764[†]</u>	<u>1,537,052</u>	<u>124,952</u>	<u>1,662,004</u>



Condensed Consolidated Statement of Changes in Equity

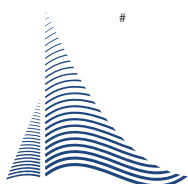
For the six months ended 30 June 2020

	Attributable to owners of the parent												
	Issued share capital (Unaudited) HK\$'000	Share premium account (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	Fair value reserve of financial assets at fair value through other comprehensive income (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2019	190,369	88,970	239,278	264,592	13,557	7,523	(31,950)	(139,669)	23,749	834,296	1,490,715	145,370	1,636,085
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	440,062	440,062	(11,979)	428,083
Other comprehensive income/(loss) for the period:													
Share of other comprehensive income/(loss) of an associate	-	-	-	-	-	-	(56)	-	36	-	(20)	-	(20)
Change in fair value of equity investment designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(625)	-	-	(625)	-	(625)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(671)	-	-	-	(671)	(107)	(778)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(727)	(625)	36	440,062	438,746	(12,086)	426,660
Disposal of subsidiaries	-	-	-	(219,644)	(13,557)	-	-	-	-	233,201	-	-	-
Final 2018 dividend declared and paid	-	-	(19,037)	-	-	-	-	-	-	-	(19,037)	-	(19,037)
At 30 June 2019	<u>190,369</u>	<u>88,970[#]</u>	<u>220,241[#]</u>	<u>44,948[#]</u>	<u>-[#]</u>	<u>7,523[#]</u>	<u>(32,677)[#]</u>	<u>(140,294)[#]</u>	<u>23,785[#]</u>	<u>1,507,559[#]</u>	<u>1,910,424</u>	<u>133,284</u>	<u>2,043,708</u>

* The investment property revaluation reserve represented the attributable revaluation surplus in respect of the leasehold land and buildings which were reclassified as investment properties prior to 1 January 2000. This revaluation reserve arose when 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 statement of profit or loss. During the six months ended 30 June 2019, the entire balance of the revaluation reserve has been transferred to retained profits upon the disposal of related subsidiaries.

** 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 established 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 amounts of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good the future losses of these PRC entities or to increase their registered capital.

These reserve accounts comprise the consolidated reserves of HK\$1,346,683,000 (30 June 2019: HK\$1,720,055,000) in the unaudited condensed consolidated statement of financial position.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit/(loss) before working capital changes	3,708	(41,328)
Decrease/(increase) in inventories	7,965	(4,502)
Decrease/(increase) in trade and bills receivables	(12,368)	116,975
Decrease/(increase) in prepayments, deposits and other receivables	(3,425)	3,517
Decrease in trade and bills payables	(11,522)	(38,110)
Decrease in other payables and accruals	(10,402)	(8,295)
Exchange realignment	815	(54)
	(25,229)	28,203
Cash generated from/(used in) operations	(25,229)	28,203
Interest paid	(3,786)	(3,313)
Interest portion of lease payments	(47)	(1,469)
Withholding tax paid	–	(1,706)
Overseas taxes paid	(341)	(505)
Hong Kong profits tax paid	(221)	–
	(29,624)	21,210
Net cash flows from/(used in) operating activities	(29,624)	21,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(6,821)	(1,199)
Proceeds from disposal of subsidiaries	–	330,315
Proceeds from disposal of items of property, plant and equipment	265	53
Interest received	2,652	723
Proceed from termination of an acquisition agreement	16,813	–
Dividend received from an associate	943	1,726
Additions to investment properties	(3,518)	(1,280)
Deposits paid for purchases of properties, and plant and equipment, and investment properties	(2,293)	(10,772)
Acquisition of assets through acquisition of a subsidiary	–	3,349
Decrease in pledged time deposits with original maturity of more than three months when acquired	720	2,625
	8,761	325,540
Net cash flows from investing activities	8,761	325,540



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	102,038	134,560
Repayment of bank loans	(91,811)	(188,638)
Dividend paid	(38,074)	(19,037)
Dividend paid to non-controlling interests	(2,500)	–
Principal portion of lease payments	(1,376)	(1,469)
	<u>(31,723)</u>	<u>(74,584)</u>
Net cash flows used in financing activities		
	(52,586)	272,166
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	465,374	295,866
Effect of foreign exchange rate changes, net	(3,969)	74
	<u>408,819</u>	<u>568,106</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	408,819	568,106
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	233,341	197,983
Non-pledged time deposits with original maturity of less than three months when acquired	175,478	370,123
	<u>408,819</u>	<u>568,106</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	408,819	568,106



Notes to the Condensed Consolidated Financial Statements

1. BASIS OF 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 and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the nature and impact of amendments to HKAS 1 and HKAS 8 *Definition of Material*, the revised standards are not relevant to the preparation of the Group’s unaudited condensed consolidated interim financial statements. The nature and impact of the revised HKFRSs are described below:

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group’s unaudited condensed consolidated interim financial statements.

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 and coating products;
- (b) the property investment segment comprises:
 - (i) the investment in residential, commercial, hotel, serviced apartment and industrial properties 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, investment holding.

The chief operating decision-maker regularly reviews the operating results of the Group’s operating segments separately for the purpose of resource 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/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.



Notes to the Condensed Consolidated Financial Statements

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 2020					
Segment revenue:					
Sales to external customers	267,220	15,444	11,240	–	293,904
Intersegment sales	–	2,513	–	–	2,513
Other revenue and gains	13,360	45	242	243	13,890
	280,580	18,002	11,482	243	310,307
<i>Reconciliation:</i>					
Elimination of intersegment sales					(2,513)
Total					307,794
Segment results					
	(17,089)	(39,299)	(1,673)	(655)	(58,716)
<i>Reconciliation:</i>					
Elimination of intersegment results					(57)
Interest income					2,384
Finance costs					(3,657)
Corporate and other unallocated expenses					(7,434)
Loss before tax					(67,480)
Six months ended 30 June 2019					
Segment revenue:					
Sales to external customers	305,877	9,218	50,107	–	365,202
Intersegment sales	–	2,827	–	–	2,827
Other revenue and gains	3,108	492,651	235	48	496,042
	308,985	504,696	50,342	48	864,071
<i>Reconciliation:</i>					
Elimination of intersegment sales					(2,827)
Total					861,244
Segment results					
	(43,671)	489,746	(1,313)	(202)	444,560
<i>Reconciliation:</i>					
Elimination of intersegment results					(280)
Interest income					723
Finance costs					(4,750)
Corporate and other unallocated expenses					(11,219)
Profit before tax					429,034



Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

As at 30 June 2020	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
Segment assets	944,656	918,026	44,080	49,590	1,956,352
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(886)
Corporate and other unallocated assets					199,944
Total assets					<u>2,155,410</u>
Segment liabilities	453,872	26,362	10,519	217	490,970
<i>Reconciliation:</i>					
Elimination of intersegment payables					(886)
Corporate and other unallocated liabilities					3,322
Total liabilities					<u>493,406</u>
As at 31 December 2019	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
Segment assets	989,773	986,510	66,014	49,487	2,091,784
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(889)
Corporate and other unallocated assets					207,468
Total assets					<u>2,298,363</u>
Segment liabilities	456,080	27,307	23,441	508	507,336
<i>Reconciliation:</i>					
Elimination of intersegment payables					(889)
Corporate and other unallocated liabilities					5,116
Total liabilities					<u>511,563</u>



Notes to the Condensed Consolidated Financial Statements

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 2020					
Segment capital expenditure:					
Capital expenditure	8,582	4,042	–	–	12,624
Corporate and other unallocated capital expenditure					8
					<u>12,632*</u>
Six months ended 30 June 2019					
Segment capital expenditure:					
Capital expenditure	9,760	533,479	–	–	543,239
Corporate and other unallocated capital expenditure					11
					<u>543,250*</u>

* Capital expenditure consists of additions to property, plant and equipment, investment properties and deposits for purchases of properties, plant and equipment and investment properties.

During the six months ended 30 June 2020 and 2019, no revenue from any single customer accounted for 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of paint products	267,220	305,877
Sale of iron and steel products	11,240	50,107
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases	15,444	9,218
	<u>293,904</u>	<u>365,202</u>



Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Disaggregated revenue information for revenue from contracts with customers

	Paint products (Unaudited) HK\$'000	Iron and steel products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020			
<u>Segments</u>			
Sale of industrial products	267,220	11,240	278,460
<u>Geographical markets</u>			
Hong Kong	36,752	–	36,752
Mainland China	230,468	11,240	241,708
Total revenue from contracts with customers	267,220	11,240	278,460
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	267,220	11,240	278,460
For the six months ended 30 June 2019			
<u>Segments</u>			
Sale of industrial products	305,877	50,107	355,984
<u>Geographical markets</u>			
Hong Kong	40,594	–	40,594
Mainland China	265,283	50,107	315,390
Total revenue from contracts with customers	305,877	50,107	355,984
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	305,877	50,107	355,984



Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other income and gains, net		
Bank interest income	2,384	723
Government grants*	1,171	927
Recognition of deferred income	141	148
Rental income	1,737	1,428
Government subsidies^	671	–
Gain on deposits paid for purchases of properties, plant and equipment#	9,350	–
Gain on disposal of subsidiaries	–	490,412
Gain on disposal of items of property, plant and equipment, net	59	14
Others	761	1,057
	16,274	494,709

* Government grants have been received from certain government authorities of the PRC in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

^ Government subsidies were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong government. As a condition of receiving the subsidies from the Employment Support Scheme, the Group undertakes not to make redundancies by 31 August 2020.

During the six months ended 30 June 2020, a termination agreement was signed between the government of Xinfeng, Guangdong, the PRC and an indirectly owned subsidiary of the Company, to terminate the previous signed acquisition agreement (i.e. a parcel of land located in Xinfeng). The government of Xinfeng, Guangdong, the PRC paid a compensation of approximately Renminbi ("RMB") 15,000,000 (equivalent to approximately HK\$16,813,000) for several initial payments made by the indirectly owned subsidiary of the Company. The aggregate carrying amount of such several initial payments was approximately RMB6,658,000 (equivalent to approximately HK\$7,463,000).

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank loans	3,610	4,621
Interest on lease liabilities	47	129
	3,657	4,750



Notes to the Condensed Consolidated Financial Statements

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories sold	198,819	274,847
Depreciation of property, plant and equipment	11,739	11,517
Depreciation of right-of-use assets	3,043	2,846
Amortisation of intangible assets	–	700
Provision for impairment of items of property, plant and equipment*	5,011	–
Write-down of inventories to net realisable value, net [#]	62	–
Provision for/(reversal of provision for) impairment of trade receivables*	4,186	(22)
Impairment of financial assets included in prepayments, deposits and other receivables*	–	2,100
Gain on disposal of subsidiaries*	–	(490,412)
Gain on deposits paid for purchases of properties, plant and equipment*	(9,350)	–
Gain on disposal of items of property, plant and equipment, net*	(59)	(14)
Write-off of items of property, plant and equipment*	146	237
Foreign exchange differences, net*	422	751

* These balances are included in "Other income and gains, net" for gains and "Other expenses, net" for losses in the unaudited condensed consolidated statement of profit or loss.

[#] The balance is included in "Cost of sales" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2019: 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2019: 25%) during the period, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2019: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK\$159,000 (six months ended 30 June 2019: HK\$172,000) is included in "Share of profits and losses of associates, net" in the unaudited condensed consolidated statement of profit or loss.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings/(loss) per share amount is based on the loss for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of HK\$63,450,000 (six months ended 30 June 2019: profit of HK\$440,062,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2019: 1,903,685,690) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.



Notes to the Condensed Consolidated Financial Statements

8. DIVIDEND

At the annual general meeting held on 4 June 2020, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2019 of HK2.0 cents (year ended 31 December 2018: HK1.0 cent) per share which amounted to approximately HK\$38,074,000 (year ended 31 December 2018: HK\$19,037,000).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment at costs of HK\$9,813,000 (six months ended 30 June 2019: HK\$9,358,000).

Items of property, plant and equipment with an aggregate net book value of HK\$206,000 (six months ended 30 June 2019: HK\$39,000) were disposed of by the Group during the six months ended 30 June 2020.

In addition, there was an impairment of items of property, plant and equipment of approximately HK\$5,011,000 (six months ended 30 June 2019: Nil) for the six months ended 30 June 2020.

10. INVESTMENT PROPERTIES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Carrying amount at beginning of period/year	851,339	799,978
Additions	3,518	1,370
Acquisitions of investment properties through acquisitions of subsidiaries	–	713,000
Disposals of subsidiaries	–	(418,230)
Fair value losses, net	(54,724)	(229,689)
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	937	3,471
Transfer to owner-occupied properties	–	(14,129)
Exchange realignment	(3,146)	(4,432)
Carrying amount at end of period/year	797,924	851,339

The Group's investment properties consist of residential, commercial, hotel, serviced apartment and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of six classes of asset, i.e. commercial, hotel and serviced apartment in Hong Kong and residential, commercial and industrial in the PRC, based on the nature, characteristics and risks of each property. Certain of the Group's investment properties were revalued on 30 June 2020 based on the valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance department which reports directly to the senior management selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance department has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.



Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sales transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties. Capitalisation rates are estimated by valuer based on the risk profile of the properties being valued.

The market comparison approach is based on the price by assuming sale of the property interest in its existing state with reference to comparable sales transactions as available in the relevant market.

Fair value hierarchy

The following table illustrates how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average	
				30 June 2020	31 December 2019
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$27 to HK\$106	HK\$30 to HK\$100
			Capitalisation rates	2.2% to 2.7%	2.9% to 3.2%
Hotel in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$74 to HK\$79	HK\$73 to HK\$85
			Capitalisation rates	5.0% to 8.0%	5.0% to 8.0%
		Market comparison approach	Prevailing market rates (per room)	HK\$2,950,000 to HK\$4,160,000	HK\$2,730,000 to HK\$5,100,000
			Capitalisation rates	5.0% to 8.0%	5.0% to 8.0%
Serviced apartment in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$45 to HK\$88	HK\$36 to HK\$94
			Capitalisation rate	2.50%	N/A
		Market comparison approach	Prevailing market rates (per sq.ft.)	HK\$21,742 to HK\$42,245	HK\$30,000
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB190 to RMB260	RMB190 to RMB270
			Capitalisation rates	3.5% to 5.3%	3.5% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB8,900 to RMB72,000	RMB8,900 to RMB73,000
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB16 to RMB27	RMB16 to RMB25
			Capitalisation rates	5.5% to 9.0%	6.0% to 9.0%
Residential properties in Mainland China	Level 3	Market comparison approach	Prevailing market rates (per sq.m.)	RMB9,400 to RMB55,000	RMB8,900 to RMB48,000

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2019: Nil).

Under income capitalisation method, a significant increase (decrease) in the prevailing market rents in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

Under the market comparison approach, a significant increase (decrease) in the prevailing market rates in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

The reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy of each class of asset is as follows:

	Hotel in Hong Kong (Unaudited) HK\$'000	Serviced apartment in Hong Kong (Unaudited) HK\$'000	Residential properties in Mainland China (Unaudited) HK\$'000	Commercial properties in Hong Kong (Unaudited) HK\$'000	Commercial properties in Mainland China (Unaudited) HK\$'000	Industrial properties in Mainland China (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Carrying amount at 1 January 2020	313,000	183,000	49,669	174,600	88,907	42,163	851,339
Additions	–	–	6	–	3,512	–	3,518
Fair value gains/(losses), net	(18,600)	(34,000)	6,119	(5,500)	(1,442)	(1,301)	(54,724)
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	–	–	547	–	390	–	937
Exchange realignment	–	–	(623)	–	(1,757)	(766)	(3,146)
Carrying amount at 30 June 2020	<u>294,400</u>	<u>149,000</u>	<u>55,718</u>	<u>169,100</u>	<u>89,610</u>	<u>40,096</u>	<u>797,924</u>



Notes to the Condensed Consolidated Financial Statements

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be 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 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, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within three months	185,243	205,306
Over three months and within six months	38,377	74,475
Over six months	97,580	38,668
	321,200	318,449

12. TRADE AND BILLS PAYABLES

An ageing 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within three months	141,865	154,800
Over three months and within six months	9,786	11,251
Over six months	225	236
	151,876	166,287

Included in the Group's trade and bills payables as at 30 June 2020 is an amount due to an associate of the Group of HK\$9,253,000 (31 December 2019: HK\$12,575,000) which is normally settled within two months repayable on similar credit terms with reference to those offered from the suppliers of the Group who are similar in size and stature.

The trade payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2020, bills payable with an aggregate carrying amount of HK\$5,557,000 (31 December 2019: HK\$8,087,000) were secured by time deposits of HK\$1,667,000 (31 December 2019: HK\$2,426,000).



Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME

The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012 pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by a resolution in a general meeting or by the board, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other aspects, the provisions of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the six months ended 30 June 2020 and 2019, no share options were granted under the 2012 Scheme.

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Purchases of land use rights*	–	1,742
Construction and purchases of items of property, plant and equipment	12,004	6,316
	12,004	8,058

* On 21 January 2008, an indirectly owned subsidiary of the Company entered into an agreement with the government of Xinfeng, Guangdong, the PRC to purchase a parcel of land located in Xinfeng at a consideration of RMB8,220,000, of which RMB6,658,000 had been paid by the indirectly owned subsidiary of the Company as at 31 December 2019. The agreement was terminated during the six months ended 30 June 2020 as detailed in note 3 to the unaudited condensed consolidated interim financial statements.

15. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following transactions with an associate, 廣州太平洋馬口鐵有限公司 during the period:

	Notes	Six months ended 30 June 2020 (Unaudited) HK\$'000
Purchases of iron and steel products	(i)	9,024
Secondment income	(ii)	233

(i) The purchases were made according to the market price and similar conditions offered by the associate to its major customers.

(ii) The secondment income was derived from the secondment services provided to the associate and was charged based on mutually agreed terms.



Notes to the Condensed Consolidated Financial Statements

15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balance with related parties

- (i) The amount due to an associate included in the Group's current liabilities as at 30 June 2020 of HK\$2,800,000 (31 December 2019: HK\$2,800,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.
- (ii) The amount due from an associate included in prepayments, deposits and other receivables as at 30 June 2020 of HK\$870,000 (31 December 2019: Nil) is related to the dividend receivable.
- (iii) Details of the Group's trade balance with an associate as at the end of the reporting period are disclosed in note 12 to the unaudited condensed consolidated interim financial statements.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	4,621	5,426
Post-employment benefits	193	193
Total compensation paid/payable to key management personnel	<u>4,814</u>	<u>5,619</u>

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values are as follows:

	Carrying amounts		Fair values	
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	<u>49,331</u>	<u>49,331</u>	<u>49,331</u>	<u>49,331</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payable, financial liabilities included in other payables and accruals and deposits received, interest-bearing bank borrowings, and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department which reports directly to the senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The audit committee of the Board reviews the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the unlisted club membership debenture, is based on quoted market prices.

The fair values of other unlisted equity investments designated at fair value through other comprehensive income, have been estimated using market-based valuation techniques based on assumptions that are not supported by observable market prices or rates. The fair values of these unlisted equity investments have been determined using the market comparison approach and/or quoted market prices and applicable valuation techniques which require the directors of the Company to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) multiple and price to earnings (“P/E”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors of the Company believe that the estimated fair values resulting from the valuation techniques, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Set out below is a summary of significant unobservable inputs to the valuation of equity investments designated at fair value through other comprehensive income.

Financial instrument	Valuation techniques	Significant unobservable inputs	Relationship of unobservable input to fair value
Unlisted equity investments	Market comparison approach	Discount for lack of marketability	The higher the discount, the lower the fair value



Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
At 30 June 2020				
Equity investments designated at fair value through other comprehensive income	–	300	49,031	49,331
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	Total (Audited) HK\$'000
At 31 December 2019				
Equity investments designated at fair value through other comprehensive income	–	300	49,031	49,331

The movements in the fair value measurements in Level 3 during the period are as follows:

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January	49,031	91,410
Total loss recognised in other comprehensive income	–	(625)
Exchange realignment	–	(94)
At 30 June	49,031	90,691

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (six months ended 30 June 2019: Nil).

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 August 2020.

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2020 (the “2020 Six-month Period”), the Group is principally engaged in property investment business, paint and coating business through CPM Group Limited (“CPM”, together with its subsidiaries collectively as the “CPM Group”), a company listed on the Stock Exchange (stock code: 1932), and iron and steel trading business. The Group also holds certain equity investments for investment purpose. Detailed information on the paint and coating business is also set forth in the interim report of CPM for the 2020 Six-month Period, and the following information on the paint and coating business is set forth for ease of reference.

The Group recorded a loss attributable to the shareholders of the parent company (the “Shareholders”) of HK\$63.45 million for the 2020 Six-month Period as compared to a profit attributable to the Shareholders of HK\$440.06 million for the six months ended 30 June 2019 (the “2019 Six-month Period”). The loss for the 2020 Six-month Period was primarily due to (i) the absence of a gain on disposal of subsidiaries of HK\$490.41 million during the 2019 Six-month Period; and (ii) the fair value losses of HK\$54.72 million on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2020.

The Group recorded a revenue of HK\$293.90 million for the 2020 Six-month Period representing a decrease of 19.5% from HK\$365.20 million as compared to the 2019 Six-month Period. The decrease in the Group’s revenue was primarily due to the decrease in the amount of revenue generated from the paint and coating business of the CPM Group and the sluggish iron and steel trading business. The amount of the Group’s gross profit during the 2020 Six-month Period amounted to HK\$95.09 million, representing an increase of 5.2% from HK\$90.36 million as compared to the 2019 Six-month Period. The increase in the amount of the gross profit was primarily due to the increase in the rental income generated from the property investment business during the 2020 Six-month Period.

The revenue of the paint and coating business accounted for 90.9% of the Group’s revenue for the 2020 Six-month Period as compared to 83.8% of the same for the 2019 Six-month Period.

Paint and Coating Business

General Industry Background

In Mainland China, the most recent economic indicators showed that the domestic economy in the PRC might start recovering from the global lockdown and the slowdown in business activities caused by the COVID-19 pandemic (the “COVID-19”). On 16 July 2020, the National Bureau of Statistics of China (the “NBSC”) announced that the economic performance of China during the first half of 2020 recorded a decline of gross domestic product (“GDP”) by 6.8% during the first quarter of 2020 and a growth of GDP by 3.2% during the second quarter of 2020, as compared to the same periods in 2019. Overall, the GDP of China during the first half of 2020 shrank by 1.6% as compared to the growth rate of 6.3% during the first half of 2019.



Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

General Industry Background (continued)

During the first half of 2020, the demand for paint and coating products in Mainland China increased because of the continuous growth in the real property industry, albeit that there was the decrease in demand for paint and coating products in the manufacturing industry in Mainland China, which is regarded as a secondary industry, including the retail business of decorating paint and coating products and the sales of the furniture paint and coating products. The cumulative construction area of construction in progress increased by 2.6% during the first half of 2020, as compared to the increase of 8.8% during the first half of 2019. On the other hand, the cumulative completion area, in terms of size, decreased by 10.5% during the first half of 2020, as compared to the decrease of 12.7% during the first half of 2019. These have slowed down the retail sales of construction and decorative paint and coating products during the first half of 2020 by 21.5%, as compared to the decrease of 22.2% during the first half of 2019, and the retail sales of paint and coating products for furniture goods, including furniture manufacturing purpose, decreased by 26.6% during the first half of 2020, as compared to the decrease of 14.9% during the first half of 2019. The paint and coating industry not only suffered from the economic downturn as a result of the COVID-19, but also the adverse effect of the decrease in the number of completed units in the property development industry during the first half of 2020. Some paint and coating manufacturers in Mainland China who had strengthened conventional sales channels, such as wholesalers or retail dealers, were adversely affected. Following the changes in the customer demands in the market, during the first half of 2020, the CPM Group recorded a similar level of revenue contribution generated from the construction and renovation contractors for property and infrastructure projects, a significant revenue decrease of 29.7% from industrial manufacturers, as well as a decrease of 9.8% in revenue generated from wholesale distributors and retail distributors, as compared to the first half of 2019.

The paint and coating industry is included in the secondary industry in Mainland China which had an overall decrease in GDP by 10.0% in the first quarter of 2020, as compared to the increase in GDP of 6.8% in the first quarter of 2019. The manufacturing industry steadily recovered and recorded a growth of 1.8% in the second quarter of 2020, as compared to a growth rate of 5.8% in the second quarter of 2019. Overall, the manufacturing industry in Mainland China shrank by 4.1% during the first half of 2020, as compared to the increase by 6.2% during the first half of 2019. In addition, according to the Manufacturing Producer Price Index for coating, ink, pigment and similar products in Mainland China, the prices of these products during the first half of 2020 were intensely competitive and decreased in the range between 0.2% and 3.1%. As a result of the rapid stimulus, relief programs and quick responses to the COVID-19 by the Chinese government, the performance of the manufacturing industry improved in the second quarter of 2020.

Segmental Results

The revenue of the CPM Group decreased by 12.6% to HK\$267.22 million during the 2020 Six-month Period as compared to HK\$305.88 million for the 2019 Six-month Period. The CPM Group's gross profit for the 2020 Six-month Period slightly decreased by 0.3% to HK\$79.25 million for the 2020 Six-month Period as compared to the 2019 Six-month Period. During the 2020 Six-month Period, the segment loss amounted to HK\$17.09 million as compared to that of HK\$43.67 million for the 2019 Six-month Period. The loss incurred by the CPM Group during the 2020 Six-month Period was primarily attributed by the combination of the following factors:



Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

Decrease in revenue because of the COVID-19

The challenging economic environment has had an adverse impact on the results of the CPM Group. The decrease in the amount of revenue generated from the sales of industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products for the 2020 Six-month Period were 19.5%, 4.4% and 15.9% respectively. Such decrease in revenue during the 2020 Six-month Period was primarily due to the adverse impact of the COVID-19 in Mainland China and Hong Kong. According to the NBSC, the sales of the manufacturing industry in Mainland China during the first half of 2020 decreased by 4.1% and the retail sales of the construction and decorative paint and coating products during the first half of 2020 decreased by 21.5% as compared to the first half of 2019. The decrease in sales of paint and coating products of the CPM Group was in the range with the general business environment even though it was adversely affected by the COVID-19.

Decline in sales to industrial manufacturers and wholesale distributors and retail distributors

The CPM Group's customers include construction and renovation contractors for property and infrastructure projects, industrial manufacturers and wholesale distributors and retail distributors, which accounted for 38.5%, 23.5% and 38.0% respectively, during the 2020 Six-month Period, as compared to 34.0%, 29.2% and 36.8% respectively, during the 2019 Six-month Period. The CPM Group's revenue generated from these customers for the 2020 Six-month Period decreased by 1.1%, 29.7% and 9.8% respectively.

The significant decrease in the sales to the industrial manufacturers was caused by the temporarily suspension or reduced scale of operations of the industrial manufacturers in the first quarter of 2020, which was due to the prohibition of commencement of work after the Chinese New Year holidays in Mainland China. Moreover, the continuing tension in the China-US relationship has also affected the export sales of the industrial manufacturers in Mainland China. In addition, the decline in sales to the wholesale distributors and retail distributors was primarily due to the economic slowdown in Mainland China, which led to a temporarily reduction in paint and coating products expenses for potential end-users.

For construction and renovation contractors, the CPM Group maintained a flat revenue for the 2020 Six-month Period as compared to the same period in 2019. During the 2020 Six-month Period, the CPM Group continued to expand the sales to property developers and construction contractors and succeeded in increasing the proportion of revenue generated from these customers.

The demand of the paint and coating products would also be affected by the seasonal factors which affect the operation of manufacturing and construction industries.

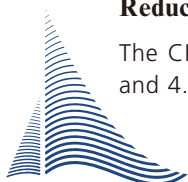
Improvement in gross profit margin and slightly drop in gross profit

Gross profit margin of the CPM Group during the 2020 Six-month Period increased by 14.2% from 26.0% to 29.7%. The increase in the gross profit margin was primarily due to the change in the product mix and the decrease in the prices of raw materials.

Despite the improvement in the gross profit margin, the gross profit of the CPM Group for the 2020 Six-month Period slightly decreased by 0.3% to HK\$79.25 million as compared to the 2019 Six-month Period due to the decrease in revenue of the CPM Group during the 2020 Six-month Period.

Reduction in selling and distribution and administrative expenses

The CPM Group reduced the amount of selling and distribution expenses and administrative expenses by 33.5% and 4.2% respectively during the 2020 Six-month Period as compared to the 2019 Six-month Period.



Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

Other income and other expenses

The CPM Group received a gain on deposits paid for purchases of properties, plant and equipment of HK\$9.35 million as other income and gains during the 2020 Six-month Period.

During the 2020 Six-Month Period, the CPM Group has provided a provision for impairment of items of property, plant and equipment of HK\$5.01 million and an additional provision for impairment of trade receivables of HK\$4.52 million.

Property Investment Business

As at 30 June 2020, the investment property portfolio held by the Group included 15 properties with total gross floor area (the "GFA") of 265,615 square feet ("sq.ft."), as compared to 264,180 sq.ft. as at 31 December 2019 which comprised of residential, commercial, hotel, serviced apartment and industrial properties in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flow for long-term investment purposes. The increase in GFA during the 2020 Six-month Period was due to the acquisition of the investment property in Mainland China in April 2020. As at 30 June 2020, the aggregate market value of investment properties held by the Group amounted to HK\$797.92 million as compared to HK\$851.34 million as at 31 December 2019, representing a decrease of 6.3%. The decrease in the market value of the investment properties was primarily due to the record of fair value losses on the investment properties.

The revenue generated from the property investment business for the 2020 Six-months Period amounted to HK\$15.44 million as compared to HK\$9.22 million for the 2019 Six-month Period. The increase in revenue was primarily due to the increase in rental income arising from the acquisition of investment properties in 2019.

The average occupancy rate for the 2020 Six-month Period reached 95.6%. Segment loss for the 2020 Six-month Period amounted to HK\$39.30 million as compared to a segment profit of HK\$489.75 million for the 2019 Six-month Period. The change in segment results from a profit for the 2019 Six-month Period to a loss for the 2020 Six-month Period was primarily due to (i) the absence of a gain on disposal of subsidiaries (2019 Six-months Period: HK\$490.41 million); and (ii) the fair value losses of HK\$54.72 million on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2020. The fair value losses of the Group's investment properties for the 2020 Six-month Period was HK\$54.72 million while the fair value gains for the 2019 Six-month Period was HK\$2.06 million. Such amounts followed the general market conditions of the residential, commercial, hotel, serviced apartment and industrial property market in Hong Kong and Mainland China for the period under review.

The Group will constantly review the portfolio of its investment properties and will continue to acquire additional properties in Hong Kong and/or Mainland China that may generate a constant flow of income with capital gain potential.



Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment Business (continued)

Proposed columbarium project in Yuen Long, Hong Kong

The review application under Section 17 of Town Planning Ordinance (“TPO”) for seeking the approval of the Town Planning Board (“TPB”) for a proposed columbarium on the Group’s existing land located in Au Tau, Yuen Long, Hong Kong (the “Appeal Site”) was rejected in December 2014. The Group lodged an appeal to the Appeal Board Panel (Town Planning) (“ABP”) under Section 17B of TPO in February 2015 and was granted the planning permission in November 2017.

The permission is valid for four years from the date of the decision, i.e. November 2017. The permission will not be valid after the expiry date, unless the permission is renewed or the development permitted is commenced. The permission is conditional, as directed by ABP, and the major conditions are as follows:

1. The maximum number of niches within the Appeal Site should not exceed 20,000.
2. The submission of an implementation programme with phasing proposals (with niche sales not exceeding 3,000 niches per year) to tie in with the completion of the traffic improvement measures and the submission of a traffic review report at the end of each phase to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.
3. The Group shall not proceed to the niche sales in the next phase unless the traffic management measures have been implemented to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.
4. Submission of relevant updated assessments, reports, plans or measures within six months from the date of the decision to the satisfaction of all relevant government departments and parties affected, including but not limited to Transport Department, the Police, Planning Department, Pok Oi Hospital, Hospital Authority and TPB.
5. The in-situ presentation of Pun Uk in its entirety, including feng shui pond in front of Pun Uk to the satisfaction of the director of the Leisure and Cultural Services or of the TPB.
6. The Appeal Site involves various private lots in D.D. 115 which are of agricultural or building status held under Block Government Lease or Tai Po New Grant, and adjoining government land. The Group needs to apply to the Lands Department for a land exchange. It is noted that the Group has included a land exchange to effect the proposed development. Such application will be considered by the Lands Department acting in the capacity as a landlord at its sole discretion and there is no guarantee that the land exchange, including the granting of additional government land, for the proposed development will be approved. In the event that land exchange is approved, it would be subject to such terms and conditions, including, among other things, the payment of premium and administrative fee, as may be imposed by the Lands Department at its sole discretion.

The Group has appointed respective professionals and submitted relevant assessments, reports, plans or measures to relevant government bodies and parties for comments.

The Group has applied to the TPB five times for the grants of extension of time to comply with the relevant approval conditions or submitting relevant assessments, reports, plans or measures in relation to our replies to the comments from relevant government departments and affected parties. The TPB has agreed to grant extension from the original six months to thirty-six months until November 2020 and advised that unless under very special circumstances, no further extension would be granted.



Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment Business (continued)

Proposed columbarium project in Yuen Long, Hong Kong (continued)

As at the date of this report, one of the relevant parties, Pok Oi Hospital has rejected our proposed columbarium proposal and the remaining relevant parties, including the TPB, Planning Department, Transport Department, Hong Kong Police and Hospital Authority have not yet expressed their acceptance or rejection on the proposed columbarium proposal. The Group has made responses to comments from all relevant parties to seek their acceptance of the proposal.

Acquisition of a commercial property in Pudong New Area, Shanghai, the PRC

In April 2020, the Group entered into an agreement with an independent third party for the acquisition of a commercial property located in Pudong New Area, Shanghai, the PRC for a cash consideration of RMB3.60 million. Payment of the consideration was funded by the Group's internal financial resources. The commercial property was handed over to the Group in June 2020, and was then leased out for rental income at the prevailing market rates.

Iron and Steel Trading Business

The revenue generated from the iron and steel trading business amounted to HK\$11.24 million for the 2020 Six-month Period as compared to HK\$50.11 million for the 2019 Six-month Period, representing a significant decrease of 77.6%. The decrease was primarily due to the decrease in the demand for tin mill black plate during the 2020 Six-month Period.

The gross profit margin kept steady at about 3.5% for the 2020 Six-month Period. Segment loss for the 2020 Six-months Period amounted to HK\$1.67 million as compared to HK\$1.31 million for the 2019 Six-month Period. The record of the segment loss for the period was primarily due to the share of loss from an associate during the 2020 Six-month Period.

Equity Investments Designated at Fair value Through Other Comprehensive Income

The Group has 12.5% equity interest in Profitable Industries Limited, an investment holding company with a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, the PRC as its principal asset. The Cemetery is operated under the name of "Fortune Wealth Memorial Park" with principal activities of the development, construction, management and operation of a cemetery. The main types of products of the Cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

According to the disclosure in the annual report of Chuang's China Investments Limited (stock code: 298) for the year ended 31 March 2020, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. For Phase II and Phase III, land use rights of approximately 143 mu have been obtained, which will accommodate a total of 22,569 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu have been obtained and additional land quota of about 119.8 mu shall be required, for the construction of a total of 19,246 grave plots.

On the sale aspects, the Cemetery is for sale not only in Mainland China, but also includes overseas Chinese, as well as the residents of Hong Kong, Macau and Taiwan.



Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to HK\$408.82 million as at 30 June 2020 as compared to HK\$465.37 million as at 31 December 2019. Bank borrowings amounted to HK\$226.32 million as at 30 June 2020 as compared to HK\$216.44 million as at 31 December 2019. The Group's bank borrowings mainly bear interest at floating rates. The Group's total bank borrowings as at 30 June 2020 amounted to HK\$226.32 million (100.0%) is payable within one year.

The Group's cash and bank balances and bank borrowings are 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. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2020. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' fund, was 14.7% as at 30 June 2020 as compared to 13.1% as at 31 December 2019. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.87 times as at 30 June 2020 as compared to 1.93 times as at 31 December 2019.

For the 2020 Six-month Period, the inventory turnover days¹ were 56 days as compared to 55 days for the 2019 Six-month Period. The trade and bills receivables turnover days² for the 2020 Six-month Period were 199 days as compared to 180 days for the 2019 Six-month Period. The increase in the trade and bills receivables turnover days was primarily due to the deferral of settlement by customers during the outbreak of the COVID-19.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2020 was HK\$1,537.05 million as compared to HK\$1,651.07 million as at 31 December 2019. Net asset value per share as at 30 June 2020 was HK\$0.87 as compared to HK\$0.94 as at 31 December 2019. Shareholders' funds per share as at 30 June 2020 was HK\$0.81 as compared to HK\$0.87 as at 31 December 2019. Fluctuations in the foreign currency exchange rates between Hong Kong dollar (the reporting currency) and Renminbi could have a significant impact and may lead to volatility in the operating results of the Group.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2020 amounted to HK\$5.56 million compared to HK\$9.19 million as at 31 December 2019.

- ¹ The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 182 days.
- ² The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 182 days.



Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of HK\$331.22 million as at 30 June 2020 (31 December 2019: HK\$377.82 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities and bills payable. As at 30 June 2020, the total outstanding secured bank borrowings amounted to HK\$222.73 million as compared to HK\$195.63 million as at 31 December 2019, lease liabilities amounted to HK\$0.52 million as compared to HK\$0.73 million as at 31 December 2019, and bills payable amounted to HK\$5.56 million as compared to HK\$8.09 million as at 31 December 2019.

STAFF

As at 30 June 2020, the Group employed a total of 802 employees, as compared to 836 employees as at 30 June 2019. Staff costs (excluding directors' emoluments) amounted to HK\$65.84 million for the 2020 Six-month Period as compared to HK\$76.05 million for the 2019 Six-month Period. The Group's staff remuneration and benefit system remains competitive.

BUSINESS OUTLOOK

Looking ahead, the second half of 2020 will be more challenging and less predictable. The geopolitical uncertainties and the economic and social impacts of the COVID-19 are expected to be continued. It is encouraged that the economy of Mainland China is on a path of recovery as the COVID-19 is under control in Mainland China. The business environment in Mainland China is still full of challenges and opportunities in the second half of 2020. Mainland China is a principal market of the CPM Group. The management of the CPM Group believes that the sales to construction and renovation for property and infrastructure projects would be one of the main sources of revenue growth in the foreseeable future. It is also believed that the fundamentals of the business initiatives, including boosting business performance by increasing the selling prices of the paint and coating products, improving the procurement and sourcing process, optimising the product mix and distribution channels and integrating the production facilities of the CPM Group in Mainland China, remain necessary.

In order to maintain competitive advantages, the CPM Group will make a proactive effort to optimise the industrial chain for achieving the products and market diversification of its paint and coating products. In the meantime, in order to leverage the foundation of the existing business, the CPM Group has planned to follow the "Guangdong-Hong Kong-Macao Greater Bay Area plan", which targets at Southern China market with a focus on leading cities in the Guangdong Province, the PRC, such as Shenzhen and Zhongshan, to further develop the CPM Group's business in Mainland China by increasing additional production capacity in the CPM Group's production plant in Zhongshan. The CPM Group will continue to rationalise its production processes and streamline its manpower resources in order to improve the production efficiency. In addition, in order to increase the market share, extend the geographical sales and expand the customers base in Mainland China, the CPM Group will continue to explore production cooperation with selected paint and coating manufacturers on an original equipment manufacturer basis. The CPM Group believes that such business focus is beneficial to the business development with resources to be focused on the target markets where the CPM Group has a significant business presence.



Management Discussion and Analysis

BUSINESS OUTLOOK (continued)

In Hong Kong, the outbreak of the COVID-19 has severely impacted the business activities, such as catering and tourism, and a lot of businesses have been closed down. The unemployment rate is expected to be increasing. The Hong Kong economy is less likely to experience even a slightly recover in the near future. Despite the macro-economic conditions are deteriorating, the management of the Group foresees that the interest rates would be lower in order to support the property market in Hong Kong.

The Group will constantly review its investment property portfolio and to acquire suitable investment properties for the purpose of generating a recurring income and cash flow for investment purposes.

The Chinese government aims to maintain a stable real estate industry. The national policies in Mainland China remain rigorous in emphasising that “housing is for accommodation, but not speculation”. The property market in Mainland China expected to be continually affected by the government’s policy on the balances between supply and demand, and accelerate the establishment of a long-term stable and healthy development mechanism. The Group remains conservatively optimistic on steady and healthy grown of the real estate market in Mainland China. Hence, the management of the Group will continue to look for additional property investment properties amid the challenging economic environment.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the 2020 Six-month Period. The Board has not yet authorised any plan for other material investments or additions of capital assets.



Other Information

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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 2020, 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:

Name	Capacity	Number of shares				Total	Percentage of the total number of shares in issue
		Personal interests	Family interests	Corporate interests	Other interests		
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	505,947,620 (Note)	–	505,947,620	26.57%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	–	–	–	503,374	0.02%

Note: The 505,947,620 shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

Save as disclosed above, as at 30 June 2020, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), 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 of the Company 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

The Company's existing share option scheme was adopted on 28 June 2012 (the "Scheme"). From the date of adoption of the Scheme up to the period ended 30 June 2020, no share option has been granted under the Scheme.

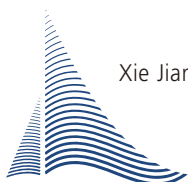


Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2020, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the directors of the Company) had interests in the shares and underlying shares of the Company:

Name	Notes	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of the total number of shares in issue
10% or more of the total shares in issue					
Prime Surplus Limited	1	Beneficial owner	505,947,620	–	26.57%
Ho Mei Po, Mabel	2	Interest of spouse	505,947,620	–	26.57%
Chinaculture.com Limited	3	Beneficial owner	370,266,867	–	19.45%
Chuang's China Investments Limited	3	Interest of controlled corporation	370,266,867	–	19.45%
Profit Stability Investments Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Chuang's Consortium International Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Evergain Holdings Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	370,266,867	–	19.45%
Chong Ho Pik Yu	3	Interest of spouse	370,266,867	–	19.45%
Below 10% of the total shares in issue					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%



Other Information

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

Notes:

- (1) The 505,947,620 shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 505,947,620 shares in which her spouse was interested under the SFO.
- (3) The shareholding of 19.45% was based on the disclosure in the annual report of Chuang's Consortium International Limited for the year ended 31 March 2020. The number of shares is based on the shareholding percentage and the total number of shares in issue of the Company as of 30 June 2020. The Company has not been informed on any increase in the number of shares held by Chuang's Consortium International Limited.

The references to the 370,266,867 shares relate to the same block of 370,266,867 shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 60.71% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 50.07% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 370,266,867 shares which were owned by Chinaculture.com Limited.

- (4) These shares were beneficially owned by Broadsino Investment Company Limited. Pursuant to an option granted by Rapid Growth Ltd., Broadsino Investment Company Limited has a right to sell all or part of these shares to Rapid Growth Ltd. exercisable at any time during the term of the option.
- (5) The references to the interests in 98,000,000 underlying shares of the Company relate to the same block of 98,000,000 underlying shares of the Company interested by Rapid Growth Ltd. by virtue of an option granted by Rapid Growth Ltd. to Broadsino Investment Company Limited as disclosed in note (4) above.

Rapid Growth Ltd. was a wholly-owned subsidiary of Polygold Holdings Limited, which in turn was wholly owned by Mr. Xie Jian Ming.

Polygold Holdings Limited and Mr. Xie Jian Ming were all deemed under the SFO to be interested in these 98,000,000 underlying shares of the Company which were taken to be interested by Rapid Growth Ltd..

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 2020 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.



Other Information

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except that the non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the directors of the Company required to be disclosed pursuant to 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 the Model Code as contained in Appendix 10 to the Listing Rules. After specific enquiry by the Company, all directors of the Company 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 2020.

UPDATE ON DERIVATIVE ACTION

As at the date of this report, the derivative action initiated by Chinaculture.com Limited against certain directors of the Company and the Company is still ongoing. The Company is named as a nominal defendant in such derivative action.

On behalf of the Board

CNT Group Limited

Lam Ting Ball, Paul

Chairman

Hong Kong, 27 August 2020

