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ANNOUNCEMENT OF 2018 INTERIM RESULTS

	Six months ended 30 June		Change
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	
FINANCIAL HIGHLIGHTS			
Results			
Revenue	302,907	492,318	-38.5%
Gross profit	70,098	127,044	-44.8%
Gross profit margin	23.1%	25.8%	-10.5%
Profit/(loss) for the period	(4,303)	918	-568.7%
Profit/(loss) attributable to:			
Shareholders of the Company	14,045	835	+1,582.0%
Non-controlling interests	(18,348)	83	-22,206.0%
Earnings per share (HK cent)			
Basic and diluted	0.74	0.04	+1,750.0%
	As at	As at	
	30 June	31 December	
	2018	2017	
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	Change
Financial Position			
Total cash and bank balances (including cash and cash equivalents, and pledged deposits)	236,122	386,039	-38.8%
Bank and other borrowings	231,324	133,551	+73.2%
Gearing ratio	18.4%	10.2%	+80.4%
Net asset value per share (HK\$)	0.89	0.93	-4.3%
Shareholders' funds per share (HK\$)	0.80	0.82	-2.4%

INTERIM RESULTS

The board (the “Board”) of directors (the “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 2018 together with comparative amounts for the corresponding period in 2017. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	3	302,907	492,318
Cost of sales		<u>(232,809)</u>	<u>(365,274)</u>
Gross profit		70,098	127,044
Other income and gains, net	3	5,626	6,008
Selling and distribution expenses		(75,308)	(76,032)
Administrative expenses		(67,674)	(63,814)
Other expenses, net		(6,235)	(4,037)
Fair value gains on investment properties, net	10	72,386	13,585
Finance costs	4	(2,073)	(1,156)
Share of profits and losses of associates		<u>(288)</u>	<u>(689)</u>
PROFIT/(LOSS) BEFORE TAX	5	(3,468)	909
Income tax credit/(expenses)	6	<u>(835)</u>	<u>9</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><u>(4,303)</u></u>	<u><u>918</u></u>
ATTRIBUTABLE TO:			
Owners of the parent		14,045	835
Non-controlling interests		<u>(18,348)</u>	<u>83</u>
		<u><u>(4,303)</u></u>	<u><u>918</u></u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		<u><u>HK0.74 cent</u></u>	<u><u>HK0.04 cent</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>(4,303)</u>	<u>918</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	12,343	–
Exchange differences on translation of foreign operations	(11,507)	24,259
Share of other comprehensive income of an associate	<u>187</u>	<u>237</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>1,023</u>	<u>24,496</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,023</u>	<u>24,496</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(3,280)</u></u>	<u><u>25,414</u></u>
ATTRIBUTABLE TO:		
Owners of the parent	17,091	25,219
Non-controlling interests	<u>(20,371)</u>	<u>195</u>
	<u><u>(3,280)</u></u>	<u><u>25,414</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	274,061	276,075
Investment properties	10	767,501	683,923
Properties under development		28,000	28,000
Prepaid land lease payments		18,688	19,232
Interests in associates		13,696	15,360
Available-for-sale investments		–	92,083
Financial assets at fair value through other comprehensive income		75,838	–
Deposits for acquisition of subsidiaries		76,607	–
Deposits for purchases of properties, plant and equipment, and investment properties		26,384	14,228
Net pension scheme assets		4,421	4,421
Deferred tax assets		4,043	5,617
		1,289,239	1,138,939
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		93,367	79,930
Trade and bills receivables	11	556,428	724,086
Prepayments, deposits and other receivables		104,172	60,044
Tax recoverable		777	1,233
Pledged deposits		1,492	3,269
Cash and cash equivalents		234,630	382,770
		990,866	1,251,332
TOTAL current assets			
CURRENT LIABILITIES			
Trade and bills payables	12	231,990	304,705
Other payables and accruals		61,999	126,500
Due to an associate		2,800	2,800
Interest-bearing bank and other borrowings		178,474	132,525
Tax payable		12,969	16,892
		488,232	583,422
TOTAL current liabilities			
NET CURRENT ASSETS		502,634	667,910
TOTAL ASSETS LESS CURRENT LIABILITIES		1,791,873	1,806,849

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	52,850	1,026
Deferred tax liabilities	40,873	42,505
Deferred income	2,031	2,215
	<hr/>	<hr/>
Total non-current liabilities	95,754	45,746
	<hr/>	<hr/>
Net assets	1,696,119	1,761,103
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	190,369
Reserves	1,340,406	1,379,116
	<hr/>	<hr/>
	1,530,775	1,569,485
Non-controlling interests	165,344	191,618
	<hr/>	<hr/>
Total equity	1,696,119	1,761,103
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities (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 followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s annual period beginning on 1 January 2018.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Except for HKFRS 9 and HKFRS 15 as further explained below, the adoption of the above new and revised standards has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the Group’s accounting policies, certain reclassifications and adjustments are recognised in the opening statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

<i>Condensed consolidated statement of financial position (extract)</i>	Adjustments	Balance at 31 December 2017 as originally presented HK\$'000	Adjustments due to HKFRS 9 HK\$'000	Balance at 1 January 2018 HK\$'000
Available-for-sale investments	(a)	92,083	(92,083)	–
Financial assets at fair value through other comprehensive income	(a)	–	76,819	76,819
Trade and bills receivables	(b)	724,086	(27,403)	696,683
Fair value reserve (non-recycling)	(a)	–	97,135	97,135
Retained profits	(a), (b)	(735,529)	(60,371)	(795,900)
Non-controlling interests	(b)	(191,618)	5,903	(185,715)
		<u> </u>	<u> </u>	<u> </u>

The impact of the above changes on the Group's equity and non-controlling interests is as follows:

	Retained profits HK\$'000	Fair value reserve (non- recycling) HK\$'000	Non- controlling interests HK\$'000
Closing balance as at 31 December 2017 under HKAS 39	735,529	–	191,618
Reclassification of accumulated impairment losses previously recognised for the unlisted equity investments to fair value reserve (non-recycling)	81,871	(81,871)	–
Fair value adjustments on the adoption of HKFRS 9 for certain unlisted equity investments previously stated at cost less impairment	–	(15,264)	–
Recognition of additional expected credit losses on trade and bills receivables	(21,500)	–	(5,903)
	<u> </u>	<u> </u>	<u> </u>
Opening balance as at 1 January 2018 under HKFRS 9	<u>795,900</u>	<u>(97,135)</u>	<u>185,715</u>

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 with the initial application date of 1 January 2018. The Group did not restate comparative information and recognised the transition adjustments against the opening balance of equity at 1 January 2018. The effects of adopting HKFRS 9 are summarised as follows:

(a) Classification and measurement

On initial application of HKFRS 9, the Group reclassified and measured all its unlisted equity investments as financial assets at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity investments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Financial assets at fair value through other comprehensive income are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unlisted equity investments were classified as available-for-sale financial assets.

Under the adoption of HKFRS 9, the Group reclassified the accumulated impairment losses of HK\$81,871,000 provided in prior years from retained profits to fair value reserve (non-recycling) and recognised the fair value adjustments of HK\$15,264,000 of certain unlisted equity investments previously stated at cost less impairment to fair value reserve (non-recycling) as at 1 January 2018.

There are no changes in classification and measurement for the Group's financial liabilities and all other financial assets previously measured at amortised cost.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. HKFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Group has applied the standard simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

Upon the adoption of HKFRS 9, the Group recognised an additional impairment on the Group's trade and bills receivables of HK\$27,403,000, which resulted in a decrease in retained profits of HK\$21,500,000 and a decrease in non-controlling interests of HK\$5,903,000 as at 1 January 2018.

Furthermore, the Group has applied the general approach and recorded twelve months expected losses on its financial assets included in prepayments, deposits and other receivables. The Group has determined that there is no significant impact on the provision for impairment of financial assets included in prepayments, deposits and other receivables upon the initial adoption of the standard.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying HKFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained profits. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related Interpretations.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that the adoption of HKFRS 15 does not have a significant impact and thus, no adjustment was made to the opening balance of retained profits at 1 January 2018.

The 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 2017.

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

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

2. OPERATING SEGMENT INFORMATION

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

- (a) the paint products segment engages in the manufacture and sale of paint products;
- (b) the property investment segment comprises:
 - (i) the investment in residential, commercial and industrial premises for their rental income potential; and
 - (ii) the development and sale of properties;
- (c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and
- (d) the others segment comprises, principally, 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, fair value gains on structured deposits, finance costs, as well as head office and corporate expenses are excluded from such measurement.

In the context of fine tuning our resources allocation and performance assessment in 2018, the definition of segment assets and segment liabilities was adjusted retrospectively beginning in 2017, and included cash and cash equivalents, pledged deposits, deferred tax assets or liabilities, net pension scheme assets, tax recoverable or payable and interest-bearing bank and other borrowings. Accordingly, segment assets and segment liabilities in 2017 have been adjusted and the adjustments affected all segments.

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.

	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 2018					
Segment revenue:					
Sales to external customers	251,491	12,286	39,130	–	302,907
Intersegment sales	–	2,838	–	–	2,838
Other revenue and gains	3,955	72,631	358	118	77,062
	255,446	87,755	39,488	118	382,807
<i>Reconciliation:</i>					
Elimination of intersegment sales					(2,838)
Total					379,969
Segment results					
	(71,637)	80,432	(2,037)	(1,037)	5,721
<i>Reconciliation:</i>					
Elimination of intersegment results					(262)
Interest income					950
Finance costs					(2,073)
Corporate and other unallocated expenses					(7,804)
Loss before tax					(3,468)

	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 2017					
Segment revenue:					
Sales to external customers	383,942	16,616	91,760	–	492,318
Intersegment sales	–	3,034	–	1,457	4,491
Other revenue and gains	3,553	13,615	475	540	18,183
	387,495	33,265	92,235	1,997	514,992
<i>Reconciliation:</i>					
Elimination of intersegment sales					(4,491)
Total					510,501
Segment results					
	(19,482)	26,796	(285)	438	7,467
<i>Reconciliation:</i>					
Elimination of intersegment results					(302)
Interest income					646
Fair value gains on structured deposits					764
Finance costs					(1,156)
Corporate and other unallocated expenses					(6,510)
Profit before tax					909

	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
At 30 June 2018					
Segment assets	1,144,547	912,457	66,972	75,901	2,199,877
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(946)
Corporate and other unallocated assets					<u>81,174</u>
Total assets					<u><u>2,280,105</u></u>
Segment liabilities	492,708	34,059	17,564	93	544,424
<i>Reconciliation:</i>					
Elimination of intersegment payables					(946)
Corporate and other unallocated liabilities					<u>40,508</u>
Total liabilities					<u><u>583,986</u></u>
	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000
At 31 December 2017					
Segment assets	1,309,202	819,445	76,978	93,657	2,299,282
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,011)
Corporate and other unallocated assets					<u>92,000</u>
Total assets					<u><u>2,390,271</u></u>
Segment liabilities	550,260	35,473	20,161	261	606,155
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,011)
Corporate and other unallocated liabilities					<u>24,024</u>
Total liabilities					<u><u>629,168</u></u>

	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 2018					
Segment capital expenditure:					
Capital expenditure	101,760	747	8	–	102,515
Corporate and other unallocated capital expenditure					<u>5</u>
					<u><u>102,520*</u></u>
Six months ended 30 June 2017					
Segment capital expenditure:					
Capital expenditure	9,038	1,064	–	–	10,102
Corporate and other unallocated capital expenditure					<u>7</u>
					<u><u>10,109**</u></u>

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

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

During the six months ended 30 June 2018 and 2017, 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, other income and gains, net is as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue		
Sale of paint products	251,491	383,942
Sale of iron and steel products	39,130	91,760
Gross rental income from investment properties	12,286	16,616
	<u>302,907</u>	<u>492,318</u>
Other income and gains, net		
Bank interest income	950	646
Commission income	–	57
Government grants*	1,802	1,581
Fair value gains on structured deposits	–	764
Foreign exchange differences, net	–	1,486
Gain on disposal of items of property, plant and equipment, net	16	–
Recognition of deferred income	158	145
Others	2,700	1,329
	<u>5,626</u>	<u>6,008</u>

* Government grants have been received from certain government authorities of the People's Republic of China (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.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loans	2,041	1,114
Interest on finance leases	32	42
	<u>2,073</u>	<u>1,156</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cost of inventories sold	232,809	365,274
Depreciation	10,772	9,840
Amortisation of prepaid land lease payments	274	252
Write-down of inventories to net realisable value, net	–	396
Loss/(gain) on disposal of items of property, plant and equipment, net*	(16)	29
Write-off of items of property, plant and equipment*	26	248
Foreign exchange differences, net*	<u>1,329</u>	<u>(1,486)</u>

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. 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 2017: 25%) during the period, except for subsidiaries 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 2017: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK\$169,000 (six months ended 30 June 2017: HK\$158,000) is included in “Share of profits and losses of associates” in the condensed consolidated statement of profit or loss.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2018 attributable to ordinary equity holders of the parent of HK\$14,045,000 (six months ended 30 June 2017: HK\$835,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2017: 1,903,685,690) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods.

8. DIVIDEND

At the annual general meeting held on 31 May 2018, the Company’s shareholders approved the distribution of the final dividend for the year ended 31 December 2017 of HK1.0 cent (year ended 31 December 2016: HK1.0 cent) per share which amounted to approximately HK\$19,037,000 (year ended 31 December 2016: HK\$19,037,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of properties, plant and equipment at costs of HK\$12,278,000 (six months ended 30 June 2017: HK\$8,302,000).

During the six months ended 30 June 2018, a owner-occupied property of HK\$837,000 was transferred to investment properties at the then fair value of HK\$13,180,000 following the end of owner-occupation, with gains on property valuation of HK\$12,343,000 recognised in other comprehensive income.

Items of properties, plant and equipment with an aggregate net book value of HK\$49,000 (six months ended 30 June 2017: HK\$48,000) were disposed of by the Group during the six months ended 30 June 2018.

10. INVESTMENT PROPERTIES

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Carrying amount at beginning of period/year	683,923	644,323
Additions	747	–
Fair value gains, net	72,386	27,799
Transfer from owner-occupied properties	13,180	–
Exchange realignment	(2,735)	11,801
	<u>767,501</u>	<u>683,923</u>
Carrying amount at end of period/year	<u>767,501</u>	<u>683,923</u>

The Group's investment properties were revalued on 30 June 2018 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach.

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 require. 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 and reputable banks, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within three months	184,801	526,848
Over three months and within six months	58,634	63,494
Over six months	312,993	133,744
	<u>556,428</u>	<u>724,086</u>

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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within three months	227,706	296,092
Over three months and within six months	3,389	8,306
Over six months	895	307
	<u>231,990</u>	<u>304,705</u>

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 30 June 2018, bills payable with an aggregate carrying amount of HK\$4,972,000 (31 December 2017: HK\$11,101,000) were secured by time deposits of HK\$1,492,000 (31 December 2017: HK\$3,269,000).

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 2018 and 2017, no share options were granted under the 2012 Scheme.

14. EVENTS OCCURRING AFTER REPORTING PERIOD

On 7 May 2018, the Company and CPM Group Limited (“CPM Group”), a non-wholly owned subsidiary of the Company jointly announced that, Top Dreamer Limited (“Top Dreamer”), an indirect wholly-owned subsidiary of CPM Group, entered into the sale and purchase agreement with the vendor, an independent third party of the Group, pursuant to which the vendor conditionally agreed to sell, and Top Dreamer conditionally agreed to acquire the entire equity interest in China Molybdenum & Vanadium Development Limited (“Target Company”) for a cash consideration of RMB83.0 million (equivalent to approximately HK\$102.6 million). The principal assets of Target Company and its subsidiary are a plot of land located at Jiemin Village, Sanjiao Town, Zhongshan City, Guangdong Province, the PRC and the building and production facilities erected on the land and the trademarks owned by the subsidiary of Target Company. The principal business of Target Company and its subsidiary is the manufacture and sale of paint and coating products. As at 30 June 2018, CPM Group has paid total deposits of HK\$76.6 million to the vendor. Up to the date of this announcement, the transaction has yet to be completed, and is subject to the satisfaction (or waiver by Top Dreamer) of the Second Completion Conditions (as defined in the joint announcement of the Company and CPM Group dated 7 May 2018).

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the China's economy continued to experience a modest growth. The slow economic development was primarily attributable to reduced infrastructure investments and the value of China's imports rose more than exports. The paint and coating industry in Mainland China, which is generally affected by the manufacturing industry and the real property sectors, did not perform well even though the real property prices soared with increasing sales of residential units and commercial premises. This is primarily because most of the increased sales during the six months ended 30 June 2018 was pre-sales of premises. As a result, the demand for interior paint and coating products, including wooden paint, decreased significantly for the period under review.

According to the data published by the National Bureau of Statistics of China on 15 July 2018, the gross domestic product (the "GDP") of the PRC increased only by 6.8% during the six months ended 30 June 2018, as compared to the growth of 6.9% during the six months ended 30 June 2017. The modest growth was primarily driven by the domestic consumption in Mainland China. As Chinese government has set a target growth rate of 6.5% for 2018, the general view is that the expected growth rate of GDP during the second half of 2018 would be slower than the first half of the year. The economic performance of Mainland China, as well as the domestic consumption level and domestic purchasing power, are also adversely affected by the import tariff unilaterally imposed by the U.S. government. Due to such macro-economic background, the sales volume of paint and coating products in the paint and coating industry in Mainland China for the first half of 2018, according to the National Bureau of Statistics of China, decreased by 10.4% as compared to the corresponding period in 2017. Such phenomenon was mainly caused by the decrease in the retail sales of construction and decorative materials by 25.5% and the decrease in the total domestic retail sales of furniture goods by 23.4%.

In particular, paint and coating manufacturers in Mainland China which rely on retail sales, like the Group, experienced a significant decrease in the sales volume during the six months ended 30 June 2018. Such decrease affects the sales of solvent-based as well as water-based paint and coating products because of weak demand for interior paint and coating products and the decrease in the saleable area of completed residential units and commercial premises during the period.

On the other hand, the continuous increase in crude oil prices since the second half of 2017 has resulted in the continuous and unexpected increase in the prices of principal raw materials, such as solvent and resin, for the paint and coating industry in Mainland China. For example, the average purchase prices of solvent have increased by approximately 25% during the six months ended 30 June 2018, as compared to the corresponding period in 2017.

Due to the increase in raw materials prices, paint and coating manufacturers in Mainland China have adjusted upward the ex-factory price of their products. According to the publicly available information, the retail prices of different types of paint and coating products in Mainland China has increased by 10%, as compared to the corresponding period in 2017. Such prices increase, however, cannot fully compensate the additional costs incurred on the raw materials due to the intense price competition.

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK\$14.05 million for the six months ended 30 June 2018 as compared with that of approximately HK\$0.84 million for the last corresponding period. The increase in the profit attributable to the shareholders of the parent company was mainly due to the increase in the fair value gain on the investment properties of the Group for the six months ended 30 June 2018.

The Group recorded revenue of approximately HK\$302.91 million representing a decrease of 38.5% when compared with last corresponding period. The decrease in Group's revenue was mainly due to the decrease in revenue from the trading of iron and steel products and paint business. The Group's gross profit for the period decreased by 44.8% when compared with that of last corresponding period to approximately HK\$70.10 million. The decrease in Group's gross profit was mainly due to the significant drops in revenue and gross profit margin of the paint business during the period under review.

The manufacturing and sale of paint products accounted for approximately 83.0% to the Group's total revenue for the period under review.

Paint Products

The segment loss amounted approximately HK\$71.64 million when compared with that of approximately HK\$19.48 million in last corresponding period. The unsatisfactory performance of CPM Group during the six months ended 30 June 2018 was due to a number of factors as follows:

1. The decrease in the revenue to HK\$251.49 million during the six months ended 30 June 2018, as compared to HK\$383.94 million for the six months ended 30 June 2017 was primarily due to the sluggish demand in the retail wood coating market, which is the primary market of CPM Group's paint and coating products. The demand was generally and adversely affected by the decrease in the number of completed residential units and commercial premises (which suppresses the demand for interior decoration paint and coating products during the six months ended 30 June 2018), changes in the consumers' preference on on-site home or office decoration (which has an adverse impact on the demand in the retailed wood coating market) and the stringent environmental measures in Mainland China. During the six months ended 30 June 2018, CPM Group was operating in a challenging environment with all these factors simultaneously affecting the demand for its paint and coating products and cost of sales. CPM Group's situation was further affected by the departure of sale personnels who are responsible for the marketing and promotion of CPM Group's business in the Eastern China Market.
2. The crude oil price have increased significantly since the second half of 2017. Such unexpected increase has resulted in the continuous increase in the raw materials prices that would need to be paid by CPM Group. Because of the intense price competition, CPM Group was not able to shift all cost of the increase in raw materials to its customers by increasing the product prices.
3. The increasingly stringent environmental protection and dangerous chemicals safety initiatives in Mainland China has provided less incentive for the paint and coating distributors to maintain high-level of inventory of solvent-based paint and coating products, which suppressed the promotion and sales of these products. Consumers may choose to purchase water-based solvent paint and coating products. However, such purchase only accounted for an insignificant portion of the paint and coating products produced by CPM Group. Such environmental protection initiatives also affect consumers' preference and their selection of paint and coating products.
4. Although the production volume of CPM Group decreased during the six months ended 30 June 2018, CPM Group was not able to reduce the production overheads proportionally because of certain direct costs that would have to be incurred by CPM Group to maintain the production lines of CPM Group in operation. This affected the amount of gross profit and the gross profit margin of CPM Group during the six months ended 30 June 2018.

5. There was an appreciation in Renminbi over the period under review when compared to the last corresponding period. Since there was loss making for CPM Group for the six months ended 30 June 2018, the appreciation in Renminbi over the period under review had resulted in a negative impact on the financial results of CPM Group after translation into Hong Kong dollar.
6. In addition to the above, the demand for the paint and coating products of CPM Group was to a less extent affected by the seasonal factor, which affects the operation of manufacturing and construction industries.

In light of foregoing, CPM Group recorded sales revenue of HK\$251.49 million during the six months ended 30 June 2018, representing a decrease of 34.5% as compared to the last corresponding period. The sales of paint and coating products of CPM Group in Hong Kong during the six months ended 30 June 2018 amounted to HK\$20.39 million as compared to HK\$50.27 million in the last corresponding period. The decrease in the sales of paint and coating products in Hong Kong was significant because of the increasingly competitive business environment for the sales of the architectural paint and coating products market. In Mainland China, CPM Group's revenue decreased to HK\$231.10 million, as compared to HK\$333.67 million in the last corresponding period. The decrease was mainly due to the changes in the economic environment in Mainland China, the increasing competition for CPM Group's products and unfavourable policy implications on distributors as a result of the stringent environmental protection and dangerous chemicals safety initiatives in Mainland China.

During the six months ended 30 June 2018, the gross profit margin decreased by 5.4 percentage point to 22.6%. The significant decrease in the gross profit margin was mainly due to the decrease in the amount of revenue and the increase in the cost of sales as a result of the increase in the raw materials prices and fixed production overheads incurred by CPM Group even though there were decreases in the production and sales volume of CPM Group's paint and coating products.

CPM Group's gross profit for the period decreased by 47.2% to HK\$56.80 million as compared to the last corresponding period. The decrease was mainly due to the factors set forth above.

The demand for our paint products is affected by the seasonality factor of the manufacturing industries of toys, electronics and electrical appliances and the pattern that most of the construction, repairs and renovation undertakings would be completed during the second half of a calendar year.

Property Investment

As at 30 June 2018, the Group held an investment property portfolio consisting of 11 properties with Gross Floor Area of 321,370 square feet, including residential, commercial and industrial premises in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flows for long term investment purposes. Revenue for the period amounted to approximately HK\$12.29 million when compared with that of approximately HK\$16.62 million in last corresponding period. The decrease in revenue was mainly due to the non-renewed tenants upon termination of respective tenancy agreements. Segment profit amounted to approximately HK\$80.43 million when compared with that of approximately HK\$26.80 million in last corresponding period. The increase in segment profit for the period was mainly due to the increase in the net fair value gains on the investment properties of approximately HK\$58.80 million. The net fair value gain of the Group's investment properties at the period end was approximately HK\$72.39 million while the net fair value gain at the last corresponding period end was approximately HK\$13.59 million. This reflected the general market conditions of the residential, commercial and industrial investment property market in Hong Kong and Mainland China for the period under review.

The Group is continuously considering the feasibility to broaden the portfolio of the Group's property investment by acquiring additional properties in Hong Kong and/or Mainland China with stable income and capital gain potential.

Upon the grant of planning permission for a proposed columbarium on our existing land located in Au Tau, Yuen Long, Hong Kong by the Appeal Board Panel (Town Planning) under Section 17B of Town Planning Ordinance ("TPO") in November 2017, we have appointed respective professionals in preparing and submitting relevant assessments/reports/plans/measures to satisfy those conditions required by relevant government bodies.

In May 2016, we submitted a planning application under Section 16 of TPO to seek Town Planning Board's ("TPB") approval for the proposed residential development on our existing warehouses located at Sai Kung, New Territories, Hong Kong (the "Sai Kung Property"). On 2 March 2018, TPB has approved the application with conditions.

The permission shall be valid for 4 years from the date of the decision, and after the said date, the permission shall cease to have effect unless before the said date, the development permitted is commenced or the permission is renewed.

The purpose of applying for the change in the permitted usage of the Sai Kung Property is to secure a re-development opportunity for the purpose of achieving a high investment return or enhancing the investment property portfolios of the Group. As of the date of this announcement, the Directors have not made any decision on the re-development of the Sai Kung Property, and any decision on this matter would be taken into consideration the prevailing and the expected Hong Kong property market conditions, availability of financial resources, possible investment return, long-term business plans of the Group and the interests of shareholders of the Company as a whole.

As investment property business is the core businesses of the Group, the Board reviews the portfolio of investment properties from time to time and explores business opportunity that may enhance the portfolio value. Although the TPB has approved the proposed residential development on the Sai Kung Property in March 2018, re-development of the Sai Kung Property by the Group is not the only option. Such re-development would require substantial amount of investment before realising the benefits. From this perspective, the Group is exploring all possible approaches to realise the benefit of the Sai Kung Property with the permitted usage change.

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$39.13 million when compared with that of approximately HK\$91.76 million in last corresponding period, representing a significant decrease of 57.4%. The significant decrease in revenue was mainly due to the decrease in demand of tin mill black plate during the period under review. The gross profit margin decreased by 0.5 percentage point from 3.1% in last corresponding period to 2.6%. Segment loss for the period amounted to approximately HK\$2.04 million when compared with that of approximately HK\$0.29 million in last corresponding period. The segment loss for the period was mainly due to the drop in revenue and gross profit during the period under review.

Available-for-sale Investments

We have an effective interest of 12.2% in the cemetery project (“the Cemetery”) situated in Sihui, Guangdong Province, the PRC. The Cemetery is operated under the name of “Fortune Wealth Memorial Park”. Its principal activities are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

The Cemetery comprises a site of 518 mu, of which 100 mu have been substantially completed and remaining 418 mu have commenced design work, and an adjacent site of 4,482 mu, which has been reserved, making up a total of 5,000 mu.

In addition to the land use rights of approximately 146.8 mu of land had been obtained in previous years. In June 2018, the Cemetery participated in the land auction and was successfully obtained new lots of land of about 23.4 mu, thereby increasing the total land use rights to 170.2 mu.

On the sale aspects, the Cemetery has full license for sale not only in Mainland China, but also includes overseas Chinese as well as residents of Hong Kong, Macau and Taiwan. The Cemetery has approximately 3,773 grave plots and 538 niches available for sale. The Cemetery will review its sales and marketing strategy and will take more proactive steps in its brand building and customer services.

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK\$234.63 million as at 30 June 2018 as compared with approximately HK\$382.77 million as at 31 December 2017. Bank and other borrowings amounted to approximately HK\$231.32 million as at 30 June 2018 as compared with approximately HK\$133.55 million as at 31 December 2017. 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 2018, approximately HK\$178.47 million (77.2%) is payable within one year, approximately HK\$52.41 million (22.6%) is payable in the second year and the remaining balance of approximately HK\$0.44 million (0.2%) is payable in the third to fifth years.

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2018. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 18.4% as at 30 June 2018 as compared with 10.2% as at 31 December 2017. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 2.03 times as at 30 June 2018 as compared with 2.14 times as at 31 December 2017.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2018 was approximately HK\$1,530.78 million as compared with approximately HK\$1,569.49 million as at 31 December 2017. Adjusted capital of the Group, being shareholders' fund less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2018 was approximately HK\$1,257.43 million as compared with approximately HK\$1,308.48 million as at 31 December 2017. Net asset value per share as at 30 June 2018 was HK\$0.89 as compared with HK\$0.93 as at 31 December 2017. Shareholders' funds per share as at 30 June 2018 was HK\$0.80 compared with HK\$0.82 as at 31 December 2017.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2018 amounted to approximately HK\$47.27 million compared with approximately HK\$42.64 million as at 31 December 2017.

Pledge of Assets

At 30 June 2018, certain land and buildings, investment properties and cash deposits with aggregate net book value of approximately HK\$365.11 million (31 December 2017: HK\$596.66 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2018, total outstanding secured bank and other borrowings amounted to approximately HK\$76.55 million as compared with approximately HK\$89.90 million as at 31 December 2017.

STAFF

As at 30 June 2018, the Group's staff headcount was 990 (30 June 2017: 1,089). Staff costs (excluding directors' emoluments) amounted to approximately HK\$80.09 million for the period under review as compared with approximately HK\$88.44 million in last corresponding period. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees.

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

Except for the acquisition of the entire equity interest in the Target Company as jointly announced by the Company and CPM Group on 7 May 2018, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the period under review. The Board has not yet authorised any plan for other material investments or additions of capital assets.

OUTLOOK

On the global economy, the second half of 2018 is challenging due to significant risk factors such as geopolitical issues, continuing improvement in the United States (the "US") economy supports additional rate hikes by the Federal Reserve of US, the current trade war between China and US has added further uncertainty to the economic outlook. The US dollar index having its upward momentum, the emerging market currencies are set to experience depreciation, which is expected to lead to volatility in their economies. In addition, the protectionism generated in global trade conflicts will be a key uncertainty for the global economies and the China economy in the second half of this year.

In China, the property market continues to be subject to the impact of government's restrictive measures to promote the balances between supply and demand, and accelerate the establishment of a long-term stable and healthy development mechanism. The Group believes the Chinese property market will maintain its steady healthy growth.

Hong Kong is an open economy which will inevitably be exposed to macroeconomic uncertainties, including those generated by the interest rate hikes. In Hong Kong, the limited supply of land when compared to demand remains a major issue for the local economy. It is expected that the property market in Hong Kong remains stable in the foreseeable future.

The Group will continuously review the portfolio of its investment properties to maintain a constant stream of revenue. The Group will continue to study the feasibility of broadening the portfolio of its property investment by acquire additional properties in prime areas in Hong Kong and/or Mainland China to earn stable recurring income and cash flow for long term investment purposes.

In light of the substantial decrease of the revenue, gross profit margin and gross profit of our paint business for the six months ended 30 June 2018, CPM Group is in the process of formulating and implementing various business plans to improve the business operation and reduce the costs of CPM Group in the second half of 2018. These business initiatives include the following:

1. Implementation of stringent cost control measures

Starting from the second quarter of 2018, CPM Group has implemented stringent cost control measures with the focus on reducing the fixed production overheads and administrative expenses and improving the operational efficiency, both at the production and CPM Group administrative levels. The directors of CPM Group consider that such cost control measures are important for CPM Group to improve its profitability and streamline its business operations.

2. Enhancement of the product mix and streamline the product offerings

The directors of CPM Group are also reviewing the product mix of CPM Group and will adjust the production of paint and coating products under different brands with similar functions and applications. These products may have been developed at different times in response to the then consumers' demands or newly launched products by competitors. By implementing the product mix enhancement, the directors of CPM Group expect that CPM Group can reduce the production costs, increase the production efficiency and devote additional financial and marketing resources to promote the sales of selected and well-received paint and coating products.

In addition, the directors of CPM Group believe that the demand for paint and coating products in the construction and manufacturing industries in Mainland China will increase. The Company will expand the customer base which is engaged in the construction and manufacturing industries. CPM Group has established a dedicated task force to focus on the supply paint and coating products to construction projects in Guangdong Province, the PRC.

CPM Group will continue to produce and sell high-quality paint and coating products and will focus on green production process and technological improvement and development.

3. Launch of new products

CPM Group has launched a new product of Exterior Decorative Insulation Wall Board (the “**EDIWB**”) in April 2018, which is a kind of newly-developed and researched light building material. The EDIWB have all features of different types of all paint and coating products and can be applied directly on surface areas without different layers of insulation materials. CPM Group is a strategic construction partner for the installation of the EDIWB in Henan Province, the PRC. CPM Group is planning to launch the EDIWB with the function of insulation in the second half of 2018. With Chinese government's emphasis on building energy efficiency issue, the directors of CPM Group expect that there will be an increasing demand for the building thermal insulation industry.

4. Improvement in the procurement and sourcing process

CPM Group will reduce the number of suppliers for the purpose of achieving economies of scale and reducing the purchase price (or increasing the bulk purchase discount) and saving transportation time and cost. This improvement is expected to be implemented with the integration of production facilities of CPM Group. Through the improvement in the procurement and sourcing process, the directors of CPM Group expect that CPM Group would have relatively strong bargaining power for the reduced price of the raw materials required.

5. Integration of production facilities in Mainland China

The directors of CPM Group consider that most of the revenue of CPM Group is generated from sales to customers in the Southern China. In this connection, CPM Group plans to continue to strengthen its production activities in Shenzhen, Zhongshan and Xinfeng, Guangdong Province, the PRC. The directors of CPM Group believe that through the increased production activities at these production facilities, the production cost and the lead-time for production will reduce in order to meet the newly targeted construction and manufacturing customers demand in high growth construction and manufacturing industry in Guangdong Province, the PRC. In particular, CPM Group will continue to enhance the production activities being carried out at the production facilities of CPM Group in Shenzhen, Guangdong Province, the PRC so that such production facilities will become the principal production hub and the product research and development base of CPM Group.

Subject to completion of the feasibility study, CPM Group plans to construct a new production plant for the production of water-based paint and coating products in Zhongshan, Guangdong Province, the PRC.

Through the above integration, the directors of CPM Group will reassess the scale of the production activities and the nature of paint and coating products currently produced at the production facilities in Xuzhou, Jiangsu Province, the PRC and Ezhou, Hubei Province, the PRC, so as to maximise the use of these facilities for the benefit of CPM Group. The directors of CPM Group may also consider leasing part of the under-utilised production facilities or premises to third parties for rental income. For customers located in the regions who are currently served by CPM Group through the under-utilised production facilities, CPM Group is exploring production cooperation with selected paint and coating manufacturers on an Original Equipment Manufacturer (“OEM”) basis.

The directors of CPM Group consider that the current market situation remains challenging and competitive. The directors of CPM Group will remain prudent in the business development of CPM Group and will devote additional resources to promote the branded paint and coating products of CPM Group and improve the production process and technology. The distribution network and the sales and marketing activities, which target at a high-growth and environmental-friendly paint and coating products, will also be enhanced.

While maintaining its existing core business of paint operation through CPM Group, the Group continues to invest in property investment as well as iron and steel trading business in order to diversify and broaden its investment portfolio.

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.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2018, 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 the following:

- (1) The non-executive Directors and the independent non-executive Directors 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.
- (2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full Board. The Board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and the appointment of any new director. Also, the Board as a whole is responsible for approving the succession plan for the directors, including the chairman and the managing director.

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 as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's own code during the six months ended 30 June 2018.

UPDATE ON DERIVATIVE ACTION

As at the date of this announcement, the derivative action initiated by Chinaculture.com Limited against certain Directors 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, 30 August 2018

As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as executive Directors; Mr. Tsui Ho Chuen, Philip, Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. Hung Ting Ho, Richard as non-executive Directors; and Mr. Wu Hong Cho, Mr. Danny T Wong and Mr. Zhang Xiaojing as independent non-executive Directors.