CNT GROUP LIMITED
北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF 2019 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	
	(Unaudited)	(Unaudited)	Change
	HK$'000	HK$'000	%
Results			
Revenue	**365,202**	302,907	20.6
Gross profit	**90,355**	70,098	28.9
Gross profit margin	**24.7%**	23.1%	6.9
Profit/(loss) for the period	**428,083**	(4,303)	N/A
Profit attributable to:			
Shareholders of the Company	**440,062**	14,045	3,033.2
Non-controlling interests	**(11,979)**	(18,348)	(34.7)
Earnings per share (HK cents) Basic and diluted	**23.12**	0.74	3,024.3

	As at 30 June 2019	As at 31 December 2018	
	(Unaudited)	(Audited)	Change
	HK$'000	HK$'000	%
Financial Position			
Total cash and bank balances (including cash and cash equivalents, and pledged deposits)	**570,574**	300,921	89.6
Bank and other borrowings	**215,873**	270,767	(20.3)
Gearing ratio	**11.3%**	18.2%	(37.9)
Net asset value per share (HK$)	**1.07**	0.86	24.4
Shareholders' funds per share (HK$)	**1.00**	0.78	28.2

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 2019 together with comparative amounts for the corresponding period in 2018. 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 2019

	Notes	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
REVENUE	3	**365,202**	302,907
Cost of sales		**(274,847)**	(232,809)
Gross profit		**90,355**	70,098
Other income and gains, net	3	**494,709**	5,626
Selling and distribution expenses		**(64,227)**	(75,308)
Administrative expenses		**(79,607)**	(67,674)
Other expenses, net		**(8,639)**	(6,235)
Fair value gains on investment properties, net	10	**2,056**	72,386
Finance costs	4	**(4,750)**	(2,073)
Share of profits and losses of associates		**(863)**	(288)
PROFIT/(LOSS) BEFORE TAX	5	**429,034**	(3,468)
Income tax expenses	6	**(951)**	(835)
PROFIT/(LOSS) FOR THE PERIOD		**428,083**	(4,303)
ATTRIBUTABLE TO:			
Owners of the parent		**440,062**	14,045
Non-controlling interests		**(11,979)**	(18,348)
		428,083	(4,303)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		**HK23.12 cents**	HK0.74 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**428,083**	(4,303)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(778)**	(11,507)
Share of other comprehensive income/(loss) of an associate	**(20)**	187
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(798)**	(11,320)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income	**(625)**	–
Gain on property revaluation	**–**	12,343
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(625)**	12,343
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(1,423)**	1,023
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**426,660**	(3,280)
ATTRIBUTABLE TO:		
Owners of the parent	**438,746**	17,091
Non-controlling interests	**(12,086)**	(20,371)
	426,660	(3,280)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**288,765**	292,731
Investment properties	10	**918,116**	799,978
Properties under development		**28,000**	28,000
Prepaid land lease payments		**–**	85,571
Intangible assets		**115**	805
Right-of-use assets		**91,002**	–
Interests in associates		**6,989**	9,599
Equity investments designated at fair value through other comprehensive income		**90,991**	91,710
Deposits for purchases of properties, plant and equipment, and investment properties		**10,931**	12,269
Net pension scheme assets		**3,687**	3,687
Deferred tax assets		**19,386**	19,327
Total non-current assets		**1,457,982**	1,343,677
CURRENT ASSETS			
Inventories		**83,428**	79,079
Trade and bills receivables	11	**362,664**	479,025
Prepayments, deposits and other receivables		**84,996**	92,724
Tax recoverable		**–**	1,761
Pledged deposits		**2,468**	5,055
Cash and cash equivalents		**568,106**	295,866
Total current assets		**1,101,662**	953,510
CURRENT LIABILITIES			
Trade and bills payables	12	**188,532**	226,374
Other payables and accruals		**69,216**	115,367
Due to an associate		**2,800**	2,800
Interest-bearing bank and other borrowings		**215,873**	270,121
Lease liabilities		**2,633**	–
Tax payable		**12,598**	12,574
Total current liabilities		**491,652**	627,236
NET CURRENT ASSETS		**610,010**	326,274
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,067,992**	1,669,951

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	646
Lease liabilities	**1,261**	–
Deferred tax liabilities	**21,363**	31,412
Deferred income	**1,660**	1,808
Total non-current liabilities	**24,284**	33,866
Net assets	**2,043,708**	1,636,085
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,720,055**	1,300,346
	1,910,424	1,490,715
Non-controlling interests	**133,284**	145,370
Total equity	**2,043,708**	1,636,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated interim financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK$1,149,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited) HK$'000
Assets	
Increase in right-of-use assets	**93,682**
Decrease in property, plant and equipment	**(1,149)**
Decrease in prepaid land lease payments	**(85,571)**
Decrease in prepayments, deposits and other receivables	**(2,889)**
Increase in total assets	**4,073**
Liabilities	
Increase in lease liabilities	**5,129**
Decrease in interest-bearing bank and other borrowings	**(1,056)**
Increase in total liabilities	**4,073**

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	(Unaudited) HK$'000
Operating lease commitments as at 31 December 2018	1,120
Weighted average incremental borrowing rate as at 1 January 2019	4.18%
Discounted operating lease commitments as at 1 January 2019	1,109
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(695)
Add: Commitments relating to leases previously classified as finance leases	1,056
Payments for optional extension periods not recognised as at 31 December 2018	3,659
Lease liabilities as at 1 January 2019	5,129

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets					
	Land and buildings HK$'000	Prepaid land lease payments HK$'000	Motor vehicle HK$'000	Office equipment HK$'000	Total HK$'000	Lease liabilities HK$'000
As at 1 January 2019	4,073	88,460	1,082	67	93,682	5,129
Additions	224	–	–	–	224	224
Depreciation charge	(1,181)	(1,466)	(191)	(8)	(2,846)	–
Interest expense	–	–	–	–	–	129
Payments	–	–	–	–	–	(1,469)
Exchange realignment	20	(78)	–	–	(58)	(119)
As at 30 June 2019	3,136	86,916	891	59	91,002	3,894

The Group recognised rental expenses from short-term leases of HK$3,168,000 for the six months ended 30 June 2019.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's unaudited condensed consolidated interim financial statements.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's unaudited condensed consolidated interim financial statements.

1.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
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 the 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 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, 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.

Six months ended 30 June 2019	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 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**
Reconciliation:					
Elimination of intersegment sales					**(2,827)**
Total					**861,244**
Segment results	**(43,671)**	**489,746**	**(1,313)**	**(202)**	**444,560**
Reconciliation:					
Elimination of intersegment results					**(280)**
Interest income					**723**
Finance costs					**(4,750)**
Corporate and other unallocated expenses					**(11,219)**
Profit before tax					**429,034**

Six months ended 30 June 2018	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 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
Reconciliation:					
Elimination of intersegment sales					(2,838)
Total					379,969
Segment results	(71,637)	80,432	(2,037)	(1,037)	5,721
Reconciliation:					
Elimination of intersegment results					(262)
Interest income					950
Finance costs					(2,073)
Corporate and other unallocated expenses					(7,804)
Loss before tax					(3,468)

At 30 June 2019	**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	**990,385**	**1,021,224**	**56,705**	**91,088**	**2,159,402**
Reconciliation:					
Elimination of intersegment receivables					**(759)**
Corporate and other unallocated assets					**401,001**
Total assets					**2,559,644**
Segment liabilities	**466,335**	**24,856**	**19,805**	**232**	**511,228**
Reconciliation:					
Elimination of intersegment payables					**(759)**
Corporate and other unallocated liabilities					**5,467**
Total liabilities					**515,936**

At 31 December 2018	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	1,069,178	907,775	117,107	91,771	2,185,831
Reconciliation:					
Elimination of intersegment receivables					(946)
Corporate and other unallocated assets					112,302
Total assets					2,297,187
Segment liabilities	496,699	69,199	72,647	613	639,158
Reconciliation:					
Elimination of intersegment payables					(946)
Corporate and other unallocated liabilities					22,890
Total liabilities					661,102

Six months ended 30 June 2019	**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 capital expenditure:					
Capital expenditure	**9,760**	**533,479**	**–**	**–**	**543,239**
Corporate and other unallocated capital expenditure					**11**
					543,250*

Six months ended 30 June 2018					
Segment capital expenditure:					
Capital expenditure	101,760	747	8	–	102,515
Corporate and other unallocated capital expenditure					5
					102,520*

* Capital expenditure consists of additions to property, plant and equipment, and deposits for purchases of properties, plant and equipment and investment properties, including an investment property from the acquisition of a subsidiary.

During the six months ended 30 June 2019 and 2018, 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 **2019** (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Revenue from contracts with customers		
Sale of paint products	**305,877**	251,491
Sale of iron and steel products	**50,107**	39,130
Revenue from other sources		
Gross rental income from investment properties	**9,218**	12,286
	365,202	302,907

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019	**Paint products (Unaudited) HK$'000**	**Iron and steel products (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segments			
Sale of industrial products	**305,877**	**50,107**	**355,984**
Geographical markets			
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**
Timing of revenue recognition			
Goods transferred at a point in time	**305,877**	**50,107**	**355,984**

For the six months ended 30 June 2018	Paint products (Unaudited) HK$'000	Iron and steel products (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segments			
Sale of industrial products	251,491	39,130	290,621
Geographical markets			
Hong Kong	20,392	–	20,392
Mainland China	231,099	39,130	270,229
Total revenue from contracts with customers	251,491	39,130	290,621
Timing of revenue recognition			
Goods transferred at a point in time	251,491	39,130	290,621

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**723**	950
Government grants*	**927**	1,802
Gain on disposal of subsidiaries	**490,412**	–
Gain on disposal of items of property, plant and equipment, net	**14**	16
Recognition of deferred income	**148**	158
Rental income	**1,428**	1,066
Others	**1,057**	1,634
	494,709	5,626

* 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**4,621**	2,041
Interest on finance leases	**–**	32
Interest on lease liabilities	**129**	–
	4,750	2,073

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**274,847**	232,809
Depreciation on property, plant and equipment	**11,517**	10,772
Depreciation on right-of-use assets	**2,846**	–
Amortisation of prepaid land lease payments	**–**	274
Amortisation of intangible assets	**700**	–
Impairment of trade receivables, net*	**(22)**	–
Impairment of financial assets included in prepayments, deposits and other receivables*	**2,100**	–
Gain on disposal of subsidiaries*	**(490,412)**	–
Gain on disposal of items of property, plant and equipment*	**(14)**	(16)
Write-off of items of property, plant and equipment*	**237**	26
Foreign exchange differences, net*	**751**	1,329

* 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 2018: 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 2018: 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 2018: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$172,000 (six months ended 30 June 2018: HK$169,000) 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 2019 attributable to ordinary equity holders of the parent of HK$440,062,000 (six months ended 30 June 2018: HK$14,045,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2018: 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 2019 and 2018 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 5 June 2019, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2018 of HK1.0 cent (year ended 31 December 2017: HK1.0 cent) per share which amounted to approximately HK$19,037,000 (year ended 31 December 2017: HK$19,037,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of properties, plant and equipment at costs of HK$9,358,000 (six months ended 30 June 2018: HK$12,278,000).

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$39,000 (six months ended 30 June 2018: HK$49,000) were disposed of by the Group during the six months ended 30 June 2019.

10. INVESTMENT PROPERTIES

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Carrying amount at beginning of period/year	**799,978**	683,923
Additions	**1,280**	747
Acquisition of an investment property through acquisition of a subsidiary	**530,000**	–
Disposal of subsidiaries	**(418,230)**	–
Fair value gains, net	**2,056**	90,773
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	**3,357**	4,937
Transfer from owner-occupied properties	**–**	24,355
Transfer from prepaid land lease payments	**–**	4,390
Exchange realignment	**(325)**	(9,147)
Carrying amount at end of period/year	**918,116**	799,978

The Group's investment properties were revalued on 30 June 2019 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 loss allowance, is as follows:

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Within three months	**176,284**	219,076
Over three months and within six months	**69,591**	97,835
Over six months	**116,789**	162,114
	362,664	479,025

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 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Within three months	**162,170**	181,169
Over three months and within six months	**25,575**	41,581
Over six months	**787**	3,624
	188,532	226,374

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 30 June 2019, bills payable with an aggregate carrying amount of HK$8,226,000 (31 December 2018: HK$16,849,000) were secured by time deposits of HK$2,468,000 (31 December 2018: HK$5,055,000).

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 2019 and 2018, no share options were granted under the 2012 Scheme.

14. EVENTS OCCURRING AFTER REPORTING PERIOD

(a) On 24 July 2019, CNT Iron And Steel Limited ("CNT I&S"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with The NCHK Tin Plate Limited (in liquidation) ("NCHK Tin Plate") to acquire from NCHK Tin Plate 1 share in the share capital of CNT Tin Plate Limited ("CNT Tin Plate"), representing the remaining 50% of the entire issued share capital of CNT Tin Plate, at a cash consideration of HK$1.00. The acquisition of CNT Tin Plate was completed on 24 July 2019. Upon completion, CNT Tin Plate becomes a wholly-owned subsidiary of the Company. The Group is in the process of estimating the fair value of identifiable assets and liabilities of CNT Tin Plate. As such, the financial impacts are not disclosed in the unaudited condensed consolidated interim financial statements.

(b) On 20 August 2019, a letter of intent has been entered into between Tatpo Corporation Limited ("Tatpo"), a wholly-owned subsidiary of the Company and Capitalkey Limited ("Capitalkey"), an independent third party of the Group, pursuant to which Tatpo (or its nominee) intends to acquire the entire issued shares of Cigma International Investment Limited ("Cigma") from the Capitalkey for a consideration of HK$183,000,000, subject to certain adjustments. Cigma is principally engaged in property investment and holds a 24-storey building currently used as a serviced apartment. Details were set out in the announcement of the Company dated 20 August 2019.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2019, the Group, are engaged in the paint business (through the CPM Group Limited ("CPM") and its subsidiaries (collectively, the "CPM Group"), a company listed on the Stock Exchange (stock code: 1932), the property investment business and the iron and steel trading business. The Group is also holding certain equity investments for investment purpose. Detailed information on the paint business is also set forth in the results announcement of CPM for the six months ended 30 June 2019, and the following information on the paint business is set forth for ease of reference.

The Group recorded a profit attributable to the shareholders of the parent company of HK$440.06 million for the six months ended 30 June 2019, as compared to that of HK$14.05 million for the six months ended 30 June 2018. The increase in the profit attributable to the shareholders of the parent company was mainly due to the gain on disposal of subsidiaries in relation to the disposal of the Group's industrial buildings in Sai Kung, New Territories, Hong Kong during the six months ended 30 June 2019. As disclosed in the circular of the Company dated 26 March 2019 in relation to the very substantial disposal and major transaction, the estimated gain on disposal of the Ocean Wide Assets Limited ("Ocean Wide") and Conley Investment Limited (collectively, the "Ocean Wide Group") with reference to the unaudited consolidated financial statements of the Ocean Wide Group for the year ended 31 December 2018 was HK$491.60 million. The actual gain on disposal was HK$490.41 based on to the completion accounts of the disposal.

The Group recorded revenue of HK$365.20 million representing an increase of 20.6% from HK$302.91 million as compared to the six months ended 30 June 2018. The increase in Group's revenue was mainly due to the increase in revenue from the paint business conducted by the CPM Group. The amount of the Group's gross profit during the six months ended 30 June 2019 amounted to HK$90.36 million, representing an increase of 28.9% from HK$70.10 million as compared to the six months ended 30 June 2018. The increase in amount of the gross profit was mainly due to the significant increase in revenue and gross profit margin of the paint business (conducted by the CPM Group) during the six months ended 30 June 2019.

The revenue of the paint business accounted for 83.8% to the Group's revenue for the six months ended 30 June 2019, as compared to 83.0% for the six months ended 30 June 2018.

Paint Business (Conducted Through the CPM Group)

General industry background

During the first half of 2019, the China's economy continued to experience a modest growth. The National Bureau of Statistics of China recently announced the economic performance of the Mainland China in the first half of 2019. The primary growth drivers of the China's economy continued to be in three folds, namely the level of the domestic consumption, export volume and value, and the amount of the infrastructure investment. The level of the domestic consumption continued to play a key role by contributing 60.1% of the overall growth. Despite the trade tension between the Mainland China and the U.S., the gross domestic product of the Mainland China for the first half of 2019 grew by 6.3%. For the paint and coating industry in the Mainland China which is categorised as a "second industry", the average growth rate in the first half of 2019 was 5.8%, as compared to 6.1% in the first half of 2018.

As a result, the aggregate sales volume of paint and coating products in the Mainland China for the first six months of 2019 increased by 14.4%, as compared to the same period of 2018. In addition, during the six months ended 30 June 2019, the Manufacturing Producer Price Index for coating, ink, pigment and similar products in the Mainland China continued to increase in the range between 2.4% and 3.6%.

The satisfactory growth of the paint and coating industry for the six months ended 30 June 2019 was mainly driven by the real estate industry in the Mainland China. However, such growth was partially offset by the decrease in the retail consumption of the construction and decorative paint and coating products and the furniture paint and coating products. The cumulative construction area of real estate projects in the Mainland China for the six months ended 30 June 2019 increased by 10.1%, as compared to the increase of 11.8% for the six months ended 30 June 2018, but the cumulative completion area of real estate projects in the Mainland China for the six months ended 30 June 2019 continue to decrease further by 12.7%, as compared to 10.6% for the six months ended 30 June 2018. Hence, the retail sales of the construction and decorative paint and coating products for the six months ended 30 June 2019 decreased by 22.2%, as compared to the decrease of 24.2% for the six months ended 30 June 2018; and the retail sales of furniture goods (including the paint and coating products for furniture manufacturing purpose) decreased by 14.9%, as compared to the decrease of 23.4% for the six months ended 30 June 2018.

The decrease in the number of the completed units in the property development industry in the Mainland China in the first six months of 2019 was one of the reasons for the reduced demand of interior paint and coating products for the period under review. Some of the paint and coating manufacturers in the Mainland China, which have predominantly operated through traditional sales channels, such as wholesalers or retail dealers, were largely affected. During the six months ended 30 June 2019, the CPM Group generated a significant part of its revenue from the sales to property developers and industrial manufacturers. As a result, the CPM Group recorded a growth in revenue for the six months ended 30 June 2019.

On the other hand, since October 2018, the crude oil prices had fallen from the peak. Starting from January 2019, the international crude oil prices increased again, but decreased in June 2019. Although there was a lower international crude oil prices in the first half of 2019 as compared to the last corresponding period, there was an increase in the PRC imported by-products price of crude oil, due to the depreciation of Renminbi against the US dollars during the six months ended 30 June 2019. As a result, the overall percentage decrease in raw materials price in the PRC was not consistent with the percentage decrease in the international crude oil price. For example, the percentage change of solvent prices in the PRC for the six months ended 30 June 2019 decreased by 6.8%, while the percentage change of international crude oil prices decreased by 13.4% for the six months ended 30 June 2019.

Segmental results

The revenue of the CPM Group increased by 21.6% to HK$305.88 million during the six months ended 30 June 2019, as compared to HK$251.49 million for the six months ended 30 June 2018. The CPM Group's gross profit for the six months ended 30 June 2019 increased by 39.9% to HK$79.45 million for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. During the six months ended 30 June 2019, the segment loss amounted to HK$43.67 million as compared to the segment loss of HK$71.64 million for the six months ended 30 June 2018. Despite the fact that the CPM Group continued to incur loss during the six months ended 30 June 2019, the CPM Group had improved its performance in the following areas:

1. **Significant increase in revenue**

   The increase 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 six months ended 30 June 2019 were 10.1%, 46.7% and 6.2% respectively. The significant increase in revenue from the sales of architectural paint and coating products during the six months ended 30 June 2019 was primarily due to the increase in sales to renowned property developers in the Mainland China and therefore the CPM Group had boosted its sales of architectural paint and coating products. In addition, the CPM Group has recorded an increase in sales of industrial paint and coating products to industrial manufacturers.

2. **Improvement in gross profit margin and gross profit**

   The gross profit margin of the CPM Group during the six months ended 30 June 2019 increased by 15.0% to 26.0%. The increase in the gross profit margin was mainly due to the increase in the average selling prices of the paint and coating products of the CPM Group, production volume and the production efficiency with the production cost increased by a lesser extent.

3. **Expansion of the customer base**

During the six months ended 30 June 2019, the CPM Group expanded the sales to property developers and industrial manufacturers. The CPM Group succeeded in increasing the proportion of revenue generated from these customers, rather than relying on the wholesalers and retail dealers.

4. **Sales breakthrough in the Central China**

The sales to customers in the Central China increased by 63.0% for the six months ended 30 June 2019, which was primarily due to the fact that the CPM Group became one of the registered suppliers of the property developers. Accordingly, the CPM Group boosted its sales of architectural paint and coating products by selling these products to the property developers in the Central China during the period under review.

5. **Regain the market share in Hong Kong**

In addition, the sales to customers in Hong Kong increased significantly by 99.1% for the six months ended 30 June 2019, which was primarily due to the enhancement in product mix and the increase in distribution networks in order to promote the sales of the branded water-based architectural paint and coating products and the supply of water-based architectural paint and coating products to contractors for government projects in Hong Kong as well as contractors in the private sector.

6. **Increase in the revenue contribution from various customers in the Southern China**

During the six months ended 30 June 2019, the CPM Group recorded a significant increase in the amount of sales to the industrial manufacturers in the Southern China, as compared to the six months ended 30 June 2018. The increase was primarily due to the growth in sales to manufacturers in furniture, automotive and wind power industries. In addition, the CPM Group adjusted its sales strategy to customers in the Southern China by promoting direct sales, rather than relying on the wholesalers and retail dealers.

Property Investment Business

As at 30 June 2019, the Group held an investment property portfolio consisting of 13 properties with Gross Floor Area (the "GFA") of 252,261 square feet ("sq.ft.") (30 June 2018: 321,370 sq.ft.), including residential, commercial and industrial premises in Hong Kong and the Mainland China, with the aim to generate stable recurring income and cash flows for long term investment purposes. The decrease in GFA during the six months ended 30 June 2019 was mainly due to the disposal of the investment properties in Sai Kung, Hong Kong.

Revenue for the period amounted to HK$9.22 million as compared to HK$12.29 million for the six months ended 30 June 2018. The decrease in revenue was mainly due to the non-renewed tenants upon the termination of respective tenancy agreements of our properties in Sai Kung.

After the disposal of the properties in Sai Kung and acquisition of a property in Wan Chai, the occupancy rate for June 2019 reached 96.4%. Segment profit for the six months ended 30 June 2019 amounted to HK$489.75 million as compared to that of HK$80.43 million for the six months ended 30 June 2018. The significant increase in segment profit for the period was mainly due to the gain on disposal of the investment properties located in Sai Kung of HK$490.41 million. The net fair value gain of the Group's investment properties for the six months end 30 June 2019 was HK$2.06 million while the net fair value gain for the six months ended 30 June 2018 was HK$72.39 million. This reflected the general market conditions of the residential, commercial and industrial investment property market in Hong Kong and the Mainland China for the period under review.

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

Disposal of Sai Kung Property and acquisition of Wan Chai Property

The transactions have been completed since 31 May 2019, and the Group recorded a gain on disposal of HK$490.41 million. The net proceeds in the amount of HK$367.22 million (including the cash deposit received in advance and the net assets adjustments) had been received to strength the cash flows of the Group. It will allow the Group to enhance the portfolio of its residential and/or commercial properties in Hong Kong and/or the PRC. The Group intends to enhance the portfolio of its commercial/residential properties for the purpose of increasing the recurring income and the cash flows for long term investment purpose.

In addition, the Group had entered into an agreement with Tang's Living Guesthouse (Morrison Hill Road) Limited ("Tang's Living"), an independent third party of the Group, to leaseback the Wan Chai Property for a monthly rental of HK$1.33 million to Tang's Living for a term of three years with an option to renew the lease for two consecutive terms for an aggregate of six years at the then prevailing market rent.

Proposed columbarium project in Yuen Long, Hong Kong

The review application under Section 17 of Town Planning Ordinance ("TPO") for seeking the Town Planning Board's ("TPB") approval for a proposed columbarium on our existing land located in Au Tau, Yuen Long, Hong Kong (the "Appeal Site") was rejected in December 2014. The Group has 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 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 ABP also imposed approval conditions with the permission. Extracts of material 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 entirely, 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 three times of extension of time for compliance with relevant approval conditions in relation to the submission of relevant assessments, reports, plans or measures to the TPB in relation to reply our responses to comments from relevant government departments and affected parties. The TPB has agreed to grant the extension from the original six months to twenty four months until November 2019 and advised that no further extension would be granted unless under very special circumstances.

As at the date of this announcement, one of the relevant parties, Pok Oi Hospital, had rejected our proposed columbarium proposal and the remaining relevant parties, such as 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 response to comments from all relevant parties to seek for their acceptance of the proposal.

Acquisition of ten parking lots in Qingpu District, Shanghai, the PRC

As mentioned in the annual report 2018 of the Company, the ten parking lots within a commercial building in Shanghai, the PRC for a cash consideration of RMB2.80 million were transferred to the Group in April 2019. The Group intends to lease out the parking lots for rental income at the prevailing rates.

Acquisition of two parking lots in Zhongshan, the PRC

In June 2019, the Group entered into an agreement with an independent property developer for the acquisition of two parking lots within a residential building in Zhongshan, the PRC for a cash consideration of RMB0.18 million. Payment of the consideration was funded by the Group's internal financial resources. The parking lots were transferred to the Group in August 2019, and the Group intends to lease out the parking lots for rental income at the prevailing rates.

Possible acquisition of entire share capital in Cigma International Investment Limited

On 20 August 2019, Tatpo entered into a letter of intent with Capitalkey, an independent third party of the Group, pursuant to which, Tatpo intends to acquire (the "Possible Acquisition") from Capitalkey seventy-five (75) ordinary shares of Cigma, a wholly-owned subsidiary of Capitalkey, representing the entire issued shares of Cigma. Cigma is the sole registered and beneficial owner of a 24-storey residential and commercial building located in Shanghai Street, Kowloon, Hong Kong (the "Shanghai Street Property").

The amount of consideration for the Possible Acquisition, being HK$183.00 million is subject to the adjustments to be agreed in the formal sale and purchase agreement that may be entered into between the Capitalkey and Tatpo (or its nominee).

If the acquisition is completed, Capitalkey will procure one of its affiliates to leaseback the Shanghai Street Property at the annual rental of HK$5.40 million (inclusive of rates and government rent) for a period of three years from the completion date of the Possible Acquisition. The Group would then become the owner of the Shanghai Street Property which will enhance the investment property portfolio of the Group. In addition, the proposed sale and leaseback arrangement on the Shanghai Street Property will provide an opportunity to the Group to receive a recurring rental income at a yield of about three percent per annum. The Directors consider that the terms of the letter of intent are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. Further details of the Possible Acquisition, please refer to the Company's announcement for the possible discloseable transaction in relation to the letter of intent dated 20 August 2019.

Iron and Steel Trading Business

Revenue for the period amounted to HK$50.11 million as compared to the amount of revenue of HK$39.13 million for the six months ended 30 June 2018, representing a significant increase of 28.1%. The increase was mainly due to the increase in demand of tin mill black plate during the six months ended 30 June 2019.

The gross profit margin increased by 0.8 percentage point from 2.6% for the six months ended 30 June 2018 to 3.4% for the six months ended 30 June 2019. Segment loss for the period amounted to HK$1.31 million as compared to HK$2.04 million for the six months ended 30 June 2018. The segment loss for the period was mainly due to the share of loss from an associate during the six months ended 30 June 2019.

In July 2019, the Group had entered into an agreement with NCHK Tin Plate to acquire the remaining 50% interest in the share capital of an associate, CNT Tin Plate, for nominal cash consideration of HK$1.00 in order to consolidate the control over this associate.

Equity Investments Designated at Fair value Through Other Comprehensive Income

The Group has 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 the 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 the development aspect, the Cemetery has obtained the land use rights certificates of approximately 248.2 mu of land. The Cemetery will liaise with the local authorities for land resumption in respect of the remaining 269.8 mu. For the area encompassing the land resumption, about 150 mu will be designated for road access and greenbelts. As for the balance of 119.8 mu, the Cemetery shall intensively follow-up with the local authorities to allocate land quota for the grant of land use rights.

On the sale aspects, the Cemetery has a full license for sale not only in the Mainland China, but also includes overseas Chinese, as well as the residents of Hong Kong, Macau and Taiwan. 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 HK$568.11 million as at 30 June 2019 as compared to HK$295.87 million as at 31 December 2018. Bank and other borrowings amounted to HK$215.87 million as at 30 June 2019 as compared to HK$270.77 million as at 31 December 2018. The Group's bank and other borrowings mainly bear interest at floating rates. The Group's total bank and other borrowings as at 30 June 2019 was approximately HK$215.87 million (100.0%) is payable within one year.

The Group's cash, bank balances and bank and other 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 2019. 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 and other borrowings to shareholders' fund, was 11.3% as at 30 June 2019 as compared to 18.2% as at 31 December 2018. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 2.24 times as at 30 June 2019 as compared to 1.52 times as at 31 December 2018.

For the six months ended 30 June 2019, the inventory turnover days[1] were 55 days which was lower than that of 73 days for the six months ended 30 June 2018. The trade and bills receivables turnover days[2] were 180 days which was lower than that of 332 days for the six months ended 30 June 2018. The significant improvement in trade and bills receivables turnover days were primarily due to better settlement progress from customers.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2019 was approximately HK$1,910.42 million as compared to HK$1,490.72 million as at 31 December 2018. Net asset value per share as at 30 June 2019 was HK$1.07 as compared to HK$0.86 as at 31 December 2018. Shareholders' funds per share as at 30 June 2019 was HK$1.00 as compared to HK$0.78 as at 31 December 2018. 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 2019 amounted to HK$10.42 million compared to HK$67.18 million as at 31 December 2018.

1. The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 181 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 181 days.

Pledge of Assets

As at 30 June 2019, certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with aggregate net book value of HK$269.00 million (31 December 2018: HK$380.05 million) were pledged to financial institutions as collaterals for bank and other borrowings and lease liabilities. As at 30 June 2019, total outstanding secured bank and other borrowings and lease liabilities amounted to HK$114.52 million as compared to HK$169.21 million as at 31 December 2018.

STAFF

As at 30 June 2019, the Group's staff headcount was 836 (30 June 2018: 990). Staff costs (excluding directors' emoluments) amounted to HK$76.05 million for the six months ended 30 June 2019 as compared to HK$80.09 million for the six months ended 30 June 2018. 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

Disposal of the Entire Issued Share Capital of Ocean Wide Assets Limited and Acquisition of the Entire Issued Share Capital of Nigon Hong Kong Limited

Pursuant to the share exchange agreement dated 8 September 2018 (as amended and supplemented by the supplemental deed dated 20 March 2019) entered into amongst Tatpo, a wholly-owned subsidiary of the Company, Jetco (H.K.) Limited ("Jetco") and Mr. Tang Shing Bor, Tatpo would (i) dispose (the "Disposal of Ocean Wide") the entire issued share capital of Ocean Wide Assets Limited ("Ocean Wide") and the loan due from Ocean Wide to Tatpo, to Jetco for a consideration of HK$900.00 million; and (ii) acquire (the "Acquisition of Nigon") the entire issued share capital of Nigon Hong Kong Limited ("Nigon") and the loan due from Nigon to Jetco, from Jetco for a consideration of HK$530.00 million. The Disposal of Ocean Wide and the Acquisition of Nigon were completed on 31 May 2019 after obtaining the approval of the shareholders of the Company on 9 May 2019. Further details of the Disposal of Ocean Wide and the Acquisition of Nigon are set out in the announcements of the Company dated 10 September 2018, 26 November 2018, 28 January 2019 and 27 February 2019, 20 March 2019 and 9 May 2019 and the circular of the Company date 26 March 2019.

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the for the six months ended 30 June 2019.

Subsequent to 30 June 2019, the Group has the following acquisition and possible acquisition:

Acquisition of the 50% Equity Interest in CNT Tin Plate Limited

On 24 July 2019, CNT I&S, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with The NCHK Tin Plate to acquire from NCHK Tin Plate 1 share in the share capital of CNT Tin Plate, representing the remaining 50% of the entire issued share capital of CNT Tin Plate, at cash consideration of HK$1.00. The acquisition of CNT Tin Plate was completed on 24 July 2019. Upon completion, CNT Tin Plate becomes a wholly-owned subsidiary of the Company.

Possible Acquisition of Cigma International Investment Limited

On 20 August 2019, Tatpo entered into a letter of intent with Capitalkey, pursuant to which, Tatpo intends to proceed with the Possible Acquisition from Capitalkey seventy-five (75) ordinary shares of Cigma, representing the entire issued shares of Cigma. The amount of consideration for the Possible Acquisition, being HK$183.00 million is subject to the adjustments to be agreed in the formal sale and purchase agreement that may be entered into between the Capitalkey and Tatpo (or its nominee). Further details of the Possible Acquisition are set out in the announcement of the Company dated 20 August 2019.

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries up to the date of this announcement. The Board has not yet authorised any plan for other material investments or additions of capital assets.

BUSINESS OUTLOOK

Looking ahead, the second half of 2019 will still be challenging. The global economic and political uncertainties add more risk to the global economic growth. The trade dispute between China and the United States could result in further tariffs to be imposed on a wide range of products. The growth of the Chinese economy is expected to slow down and Renminbi has been depreciated against the US dollars which accelerates and deepens the conflicts between the two countries. The business environment in the Mainland China, as well as in Hong Kong because of the recent civil unrest, are expected to continue to experience volatility and challenges in the second half of 2019.

The PRC Industrial Production Index, which was released in August 2019, indicated that the level of production activities of the PRC industrial production business recorded a relatively small percentage growth of 4.8% for July 2019. The Chinese government aims to maintain a stable real property industry. The national policies in the Mainland China remain rigorous in emphasising that "housing is for accommodation, but not speculation". 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 remain conservatively optimistic on steady and healthy grown of the real property market in the Mainland China. Hence, the Group will continue to look for further investment opportunities.

In Hong Kong, the civil unrest in Hong Kong is still ongoing and the economic downturn is expected to begin with Hong Kong's forecast economic growth of not more one percent in 2019. A low interest rate environment in Hong Kong provides support to the real estate market even though the macro-economic condition is seemed deteriorating. Moreover, the limited supply of land remains a major issue for the Hong Kong economy, and this may result in a stable Hong Kong property market 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 acquire more investment property projects for the purpose of generating a recurring income and cash flow for investment purposes.

The CPM Group continuously assesses the opportunities and the challenges in the Mainland China's market. Amid the challenging business environment, the CPM Group will act proactively for the purpose of improving the production chain and enhancing product portfolio of the Group in the solvent-based and the water-based paint and coating products. The CPM directors believe that the CPM Group should benefit from the Guangdong-Hong Kong-Macao Greater Bay Area initiatives and will aim at the Southern China market with a focus on leading cities in Guangdong Province, such as Shenzhen and Zhongshan, with the production capacity increased in Zhongshan Production Plant. The CPM directors believe that such business focus is beneficial to the business development of the CPM Group with resources to be focused on the target market in which the CPM Group has significant business presence.

The CPM Group continues to implement various business revamp measures and initiatives, which were disclosed in the 2018 annual report of CPM, to strengthen the business operation of the CPM Group and to reduce the production costs. Such measures and initiatives are comprehensive and are designed to deal with both the short and long-term business development of the CPM Group. In addition, the CPM directors have plans to 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 high-growth and environmental-friendly paint and coating products, will also be enhanced. The CPM directors believe that the improvements will be reflected in the operating results of the CPM Group for the full year of 2019.

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 2019, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the 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 did not have a nomination committee as the role and the function of such committee were performed by the full Board. On 11 July 2019, the Board has established a nomination committee comprising Mr. Wu Hong Cho as chairman and Mr. Chong Chi Kwan and Mr. Zhang Xiaojing as members with written terms of reference in compliance with code provision A.5.1 of the Corporate Governance Code as contained in Appendix 14 to 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 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 set out in the Model Code and the Company's own code during the six months ended 30 June 2019.

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, 28 August 2019

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 and Mr. Zhang Yulin as non-executive Directors; and Mr. Wu Hong Cho, Mr. Danny T Wong, Mr. Zhang Xiaojing and Ms. Lin Yingru as independent non-executive Directors.