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CNT GROUP LIMITED
北海集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 701)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	Change
Results	**HK$'000**	HK$'000	%
Revenue	**781,508**	807,923	-3.3
Gross profit	**247,687**	221,682	11.7
Gross profit margin	**31.7%**	27.4%	15.7
Profit/(loss) for the year	**(96,876)**	227,903	N/A
Profit/(loss) attributable to:			
Shareholders of the Company	**(94,242)**	234,793	N/A
Non-controlling interests	**(2,634)**	(6,890)	-61.8
Earnings/(loss) per share (HK cents)			
Basic and diluted	**(4.95)**	12.33	N/A

	As at 31 December 2020	As at 31 December 2019	Change
Financial Position	**HK$'000**	HK$'000	%
Cash and cash equivalents, structured deposits and pledged deposits	**510,662**	467,800	9.2
Bank borrowings	**269,689**	216,442	24.6
Gearing ratio	**17.0%**	13.1%	29.8
Net asset value per share (HK$)	**0.91**	0.94	-3.2
Shareholders' funds per share (HK$)	**0.83**	0.87	-4.6

The board of directors (the "Board") of CNT Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 together with comparative amounts for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020 HK$'000**	2019 HK$'000
REVENUE	4	**781,508**	807,923
Cost of sales		**(533,821)**	(586,241)
Gross profit		**247,687**	221,682
Other income and gains, net	4	**29,032**	515,858
Selling and distribution expenses		**(97,286)**	(125,545)
Administrative expenses		**(136,571)**	(151,868)
Other expenses less reversal, net		**(37,190)**	9,496
Fair value losses on investment properties, net	10	**(93,876)**	(229,689)
Finance costs	5	**(6,719)**	(9,284)
Share of profits and losses of associates, net		**1,275**	(1,931)
PROFIT/(LOSS) BEFORE TAX	6	**(93,648)**	228,719
Income tax expense	7	**(3,228)**	(816)
PROFIT/(LOSS) FOR THE YEAR		**(96,876)**	227,903
ATTRIBUTABLE TO:			
Owners of the parent		**(94,242)**	234,793
Non-controlling interests		**(2,634)**	(6,890)
		(96,876)	227,903
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**HK(4.95) cents**	HK12.33 cents

Details of the proposed dividend for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(96,876)**	227,903
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	**62,411**	(15,740)
Reclassification adjustment on disposal of an associate	**434**	–
Release of exchange reserve upon step acquisition from an associate to a subsidiary	**–**	(939)
Share of other comprehensive income/(loss) of an associate	**48**	(137)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**62,893**	(16,816)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(1,355)**	(42,379)
Gain on property revaluation	**28,624**	–
Income tax effect	**(7,156)**	–
	21,468	–
Remeasurement of net pension scheme assets	**773**	1,044
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**20,886**	(41,335)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**83,779**	(58,151)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(13,097)**	169,752
ATTRIBUTABLE TO:		
Owners of the parent	**(28,322)**	179,390
Non-controlling interests	**15,225**	(9,638)
	(13,097)	169,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**261,071**	274,206
Investment properties	10	**840,182**	851,339
Properties under development		**28,000**	28,000
Right-of-use assets		**100,506**	105,714
Interests in associates		**2,666**	22,749
Equity investments designated at fair value through other comprehensive income		**47,976**	49,331
Deposits for purchases of property, plant and equipment, and investment properties		**815**	9,962
Net pension scheme assets		**5,464**	4,694
Deferred tax assets		**18,737**	18,228
Total non-current assets		**1,305,417**	1,364,223
CURRENT ASSETS			
Inventories		**78,749**	70,290
Trade and bills receivables	11	**392,550**	318,449
Prepayments, deposits and other receivables		**108,829**	77,495
Tax recoverable		**–**	106
Structured deposits	12	**5,958**	–
Pledged deposits		**2,580**	2,426
Cash and cash equivalents		**502,124**	465,374
Total current assets		**1,090,790**	934,140
CURRENT LIABILITIES			
Trade and bills payables	13	**234,067**	166,287
Other payables and accruals		**100,944**	83,362
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**269,689**	216,442
Lease liabilities		**2,950**	2,673
Tax payable		**12,180**	12,539
Total current liabilities		**622,630**	484,103
NET CURRENT ASSETS		**468,160**	450,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,773,577**	1,814,260

	2020	2019
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**1,835**	703
Deferred tax liabilities	**33,332**	21,272
Deferred income	**1,281**	1,485
Deposits received	**4,000**	4,000
Total non-current liabilities	**40,448**	27,460
Net assets	**1,733,129**	1,786,800
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,394,303**	1,460,699
	1,584,672	1,651,068
Non-controlling interests	**148,457**	135,732
Total equity	**1,733,129**	1,786,800

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments, structured deposits and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease ("COVID-19") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.

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

3. OPERATING SEGMENT INFORMATION

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

(a) the paint products segment engages in the manufacture and sale of paint and coating products;

(b) the property investment segment comprises:

   (i) the investments in residential, commercial, hotel, serviced apartment and industrial properties for their rental income potential; and

   (ii) the development and sale of properties;

(c) the iron and steel trading segment comprises the trading of iron and steel products and related investment; 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.

Year ended 31 December 2020	**Paint products HK$'000**	**Property investment HK$'000**	**Iron and steel trading HK$'000**	**Others HK$'000**	**Total HK$'000**
Segment revenue:					
Sales to external customers	**712,886**	**31,573**	**37,049**	**–**	**781,508**
Intersegment sales	**–**	**4,907**	**–**	**–**	**4,907**
Other revenue and gains	**21,084**	**56**	**2,668**	**1,306**	**25,114**
	733,970	**36,536**	**39,717**	**1,306**	**811,529**
Reconciliation:					
Elimination of intersegment sales					**(4,907)**
Total					**806,622**
Segment results	**(6,720)**	**(63,368)**	**340**	**1,195**	**(68,553)**
Reconciliation:					
Elimination of intersegment results					**(114)**
Interest income					**3,918**
Finance costs					**(6,719)**
Corporate and other unallocated expenses					**(22,180)**
Loss before tax					**(93,648)**

Year ended 31 December 2020	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	**1,145,383**	**902,385**	**48,707**	**48,638**	**2,145,113**
Reconciliation:					
Elimination of intersegment receivables					**(898)**
Corporate and other unallocated assets					**251,992**
Total assets					**2,396,207**
Segment liabilities	**561,630**	**87,202**	**11,317**	**423**	**660,572**
Reconciliation:					
Elimination of intersegment payables					**(898)**
Corporate and other unallocated liabilities					**3,404**
Total liabilities					**663,078**
Other segment information:					
Share of profits and losses of associates	**–**	**(1,694)**	**419**	**–**	**(1,275)**
Interest in an associate	**–**	**2,666**	**–**	**–**	**2,666**
Depreciation on property, plant and equipment	**22,450**	**2,136**	**19**	**–**	**24,605**
Corporate and other unallocated depreciation					**21**
					24,626
Depreciation on right-of-use assets	**6,274**	**609**	**–**	**–**	**6,883**
Corporate and other unallocated capital expenditure					**14**
					6,897
Capital expenditure	**26,102**	**4,256**	**–**	**–**	**30,358**
Corporate and other unallocated capital expenditure					**10**
					30,368*
Fair value losses on investment properties, net	**1,468**	**92,408**	**–**	**–**	**93,876**
Provision for impairment of property, plant and equipment	**5,011**	**–**	**–**	**–**	**5,011**
Reversal of provision for impairment of trade receivables	**(462)**	**–**	**(902)**	**–**	**(1,364)**
Write-down of inventories to net realisable value, net	**595**	**–**	**822**	**–**	**1,417**

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

Year ended 31 December 2019	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	713,328	22,515	72,080	–	807,923
Intersegment sales	–	5,287	–	–	5,287
Other revenue and gains	11,045	490,673	9,600	133	511,451
	724,373	518,475	81,680	133	1,324,661
Reconciliation:					
Elimination of intersegment sales					(5,287)
Total					1,319,374
Segment results	(18,818)	267,429	6,727	(1,791)	253,547
Reconciliation:					
Elimination of intersegment results					(559)
Interest income					4,407
Finance costs					(9,284)
Corporate and other unallocated expenses					(19,392)
Profit before tax					228,719
Segment assets	989,773	986,510	66,014	49,487	2,091,784
Reconciliation:					
Elimination of intersegment receivables					(889)
Corporate and other unallocated assets					207,468
Total assets					2,298,363
Segment liabilities	456,080	27,307	23,441	508	507,336
Reconciliation:					
Elimination of intersegment payables					(889)
Corporate and other unallocated liabilities					5,116
Total liabilities					511,563

Year ended 31 December 2019	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Other segment information:					
Share of profits and losses of associates	–	(1,818)	3,749	–	1,931
Interests in associates	–	2,786	19,963	–	22,749
Amortisation of intangible assets	815	–	–	–	815
Depreciation on property, plant and equipment	20,581	1,855	22	–	22,458
Corporate and other unallocated depreciation					79
					22,537
Depreciation on right-of-use assets	5,753	609	–	–	6,362
Corporate and other unallocated depreciation					11
					6,373
Capital expenditure	15,410	716,672	–	–	732,082
Corporate and other unallocated capital expenditure					103
					732,185*
Fair value losses on investment properties, net	–	229,689	–	–	229,689
Reversal of provision for impairment of trade receivables	(27,490)	–	(1,468)	–	(28,958)
Impairment of an other receivable	–	2,100	–	–	2,100
Write-down of inventories to net realisable value, net	43	–	–	–	43

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

Geographical information:

(a) Revenue from external customers

	2020	2019
	HK$'000	HK$'000
Hong Kong	**94,363**	91,862
Mainland China	**687,145**	716,061
	781,508	807,923

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020	2019
	HK$'000	HK$'000
Hong Kong	**664,785**	793,103
Mainland China	**568,455**	498,867
	1,233,240	1,291,970

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, financial instruments and post-employment benefit assets.

Information about major customers:

During the years ended 31 December 2020 and 2019, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of paint products	**712,886**	713,328
Sale of iron and steel products	**37,049**	72,080
Revenue from other sources		
Gross rental income from investment property operating leases	**31,573**	22,515
	781,508	807,923

	2020 HK$'000	2019 HK$'000
Other income		
Bank interest income	**3,918**	4,407
Dividend income from equity investments designated at fair value through other comprehensive income	**134**	–
Government grants*	**2,847**	5,079
Government subsidies^	**4,042**	–
Recognition of deferred income	**287**	291
Rental income	**3,983**	3,023
Others	**1,849**	3,464
	17,060	16,264
Gains, net		
Gain on disposal of an associate	**2,148**	–
Gain on disposal of subsidiaries	**–**	490,412
Gain on deposits paid for purchases of property, plant and equipment#	**9,350**	–
Gain on acquisition of subsidiary, previously held as an associate	**–**	9,125
Gain on disposal of items of property, plant and equipment, net	**474**	57
	11,972	499,594
Total other income and gains, net	**29,032**	515,858

* 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.

^ Government subsidies were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong government. As a condition of receiving the subsidies from the Employment Support Scheme, the Group undertook not to make redundancies until 30 November 2020.

During the year ended 31 December 2020, a termination agreement was signed between the government of Xinfeng, Guangdong, the PRC and an indirectly owned subsidiary of the Company, to terminate the previous signed acquisition agreement (i.e. a parcel of land located in Xinfeng). The Xinfeng government paid a compensation of approximately Renminbi ("RMB") 15,000,000 (equivalent to approximately HK$16,813,000) for several initial payments made by the indirectly owned subsidiary of the Company. The aggregate carrying amount of such several initial payments was approximately RMB6,658,000 (equivalent to approximately HK$7,463,000).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest on bank loans	**6,610**	9,054
Interest on lease liabilities	**109**	230
	6,719	9,284

6. PROFIT/(LOSS) BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Cost of inventories sold	**533,821**	586,241
Depreciation on property, plant and equipment	**24,626**	22,537
Depreciation on right-of-use assets	**6,897**	6,373
Amortisation of intangible assets	**–**	815
Provision for impairment of property, plant and equipment*	**5,011**	–
Write-down of inventories to net realisable value, net@	**1,417**	43
Reversal of provision for impairment of trade receivables*	**(1,364)**	(28,958)
Gain on disposal of items of property, plant and equipment, net*	**(474)**	(57)
Gain on deposits paid for purchases of property, plant and equipment*	**(9,350)**	–
Staff termination cost*	**18,926**	–
Write-off of items of property, plant and equipment*	**274**	850
Foreign exchange differences, net*	**425**	1,450

* These balances are included in "Other income and gains, net" for gains and "Other expenses less reversal, net" for losses and reversal of provision for impairment of trade receivables in the consolidated statement of profit or loss.

@ The balance is included in "Cost of sales" in the consolidation statement of profit or loss.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 2020. For the year ended 31 December 2019, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary was taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2020	2019
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**–**	1,163
Overprovision in prior years	**–**	(20)
Current - Elsewhere		
Charge for the year	**816**	912
Overprovision in prior years	**(1,097)**	(654)
Deferred	**3,509**	(585)
Total tax charge for the year	**3,228**	816

The share of tax attributable to an associate amounting to HK$219,000 (2019: HK$249,000) is included in "Share of profits and losses of associates, net" in the consolidated statement of profit or loss.

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

The calculation of the basic and diluted earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$94,242,000 (2019: profit of HK$234,793,000), and the weighted average number of ordinary shares of 1,903,685,690 (2019: 1,903,685,690) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. DIVIDEND

	2020	2019
	HK$'000	HK$'000
Proposed final - HK2.0 cents (2019: HK2.0 cents) per ordinary share	**38,074**	38,074

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ending 31 December 2021.

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

10. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	HK$'000
Carrying amount at 1 January	**851,339**	799,978
Additions	**3,648**	1,370
Acquisitions of investment properties through acquisitions of subsidiaries	**–**	713,000
Disposals of subsidiaries	**–**	(418,230)
Fair value losses, net	**(93,876)**	(229,689)
Transfer from deposits for purchases of property, plant and equipment, and investment properties	**937**	3,471
Transfer from/(to) owner-occupied properties	**33,765**	(14,129)
Transfer from leasehold land	**27,575**	–
Exchange realignment	**16,794**	(4,432)
Carrying amount at 31 December	**840,182**	851,339

The Group's investment properties were revalued on 31 December 2020 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 trade receivables represent receivables arising from the leasing of investment properties and sale of paint and iron and steel products. The Group normally requires its customers to make payment of monthly rentals in advance in relation to the leasing of investment properties. Tenants are usually required to pay security deposits which are held by the Group. The Group's trading terms of the paint and iron and steel businesses with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods ranging from one to three months are usually granted 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 related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables except for receivables arising from leasing of investment properties require security deposits from the relevant tenants. 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:

	2020	2019
	HK$'000	HK$'000
Within three months	**236,349**	205,306
Over three months and within six months	**85,498**	74,475
Over six months	**70,703**	38,668
	392,550	318,449

12. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several wealth management products issued by a bank. As at 31 December 2020, the aggregate principal of deposits was fully guaranteed by the bank while the rates of return were not guaranteed. These deposits were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The Group used the structured deposits primarily to enhance the return on investment.

13. 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:

	2020	2019
	HK$'000	HK$'000
Within three months	**213,935**	154,800
Over three months and within six months	**19,878**	11,251
Over six months	**254**	236
	234,067	166,287

As at 31 December 2019, included in the Group's trade and bills payables was an amount due to the Group's associate of HK$12,575,000 which was normally settled within two months and repayable on similar credit terms with reference to those offered from the suppliers of the Group who were similar in size and stature.

The trade payables are unsecured, non-interest-bearing and normally settled within two months. As at 31 December 2020, bills payable with an aggregate carrying amount of HK$8,600,000 (2019: HK$8,087,000) were secured by time deposits of HK$2,580,000 (2019: HK$2,426,000).

DIVIDEND

The directors of the Company have resolved to recommend to the shareholders of the Company the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2020 (2019: HK2.0 cents) amounting to approximately HK$38,074,000 (2019: approximately HK$38,074,000). The final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on Friday, 25 June 2021 to the shareholders of the Company whose names appear on the Company's register of members on Thursday, 10 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021, both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 28 May 2021.

For the purpose of determining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Thursday, 10 June 2021, both days inclusive, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 8 June 2021.

CHAIRMAN'S STATEMENT

OVERVIEW

During the year ended 31 December 2020, the business of the Group can be divided into three business segments. The largest segment of the Group is the paint and coating business carried out by CPM Group Limited ("CPM" and together with CPM's subsidiaries, the "CPM Group"), in which the Company holds 75% of its issued share capital. The Group is also active in enhancing the portfolio of investment property for the purposes of earning rental income as well as capital appreciation. The Group has also been engaged in the iron and steel trading business. Apart from these three business segments, the Group holds certain equity investments for investment purpose. For the year ended 31 December 2020, the Group recorded an increase in revenue generated from the investment property business while the revenue generated from the paint and coating business was stable and achieved a similar amount as compared to the same for the year ended 31 December 2019 and the iron and steel trading business recorded a decrease in revenue as compared to the same for the year ended 31 December 2019.

In 2020, due to the global lockdown caused by the COVID-19 and the dramatic changes in the global production network and demand, the global economy went downturn and the volume of international trade slumped. Accordingly, governments of main countries implemented different policies to provide stimulus to the economy. According to the International Monetary Fund (the "IMF"), Mainland China has taken a series of monetary stimulus policies to maintain a fiscal stimulus to around 4.7% of its gross domestic product ("GDP"). Together with the successful implementation of COVID-19 containment measures, including stringent testing protocol, large-scale mobility restrictions at the national level, mandatory quarantine for returning migrant workers, Mainland China recorded a GDP growth at the rate of 2.3% in 2020 and was the only major economy to report a positive GDP growth in the year of 2020.

Looking into economic performance in Hong Kong, the GDP growth rate was -6.1% in 2020 as compared to -1.2% in 2019. The property and construction sector in Hong Kong suffered adverse impacts from the COVID-19 pandemic leading to delays in construction projects. Furthermore, the stringent preventive measures for controlling the spread of COVID-19 as well as the overall economic downturn also undermined the purchasing desire among potential commercial and residential property buyers. According to the public information, the GDP generated from the construction industry in Hong Kong decreased by 8.2% in 2020 as compared to the year of 2019.

Notwithstanding the challenges caused to the business by the COVID-19 and the global economic downtown, the CPM Group's revenue was relatively stable in 2020 which amounted to approximately HK$712.89 million, representing a slight decrease of 0.1%, as compared to the revenue of approximately HK$713.33 million in 2019. The gross profit of the CPM Group in 2020 increased to approximately HK$215.95 million, representing an increase of 9.7%, as compared to the gross profit of approximately HK$196.82 million in 2019.

Revenue generated from the investment property business of the Group for the year ended 31 December 2020 increased and amounted to approximately HK$31.57 million as compared to approximately HK$22.52 million in 2019. Nevertheless, the net fair value losses of approximately HK$93.88 million was recorded which followed the general market conditions of residential, commercial, hotel, serviced apartment and industrial investment property market in Hong Kong and Mainland China during the year.

On the other hand, the revenue generated from the iron and steel trading business decreased by 48.6% for the year 2020 as compared to the year of 2019. Such decrease was due to severe competitions and the sluggish economic conditions in the domestic economy in Mainland China.

In light of the foregoing, the Group's revenue for the year ended 31 December 2020 amounted to approximately HK$781.51 million, representing a slight decrease of 3.3%, as compared to the revenue in 2019. Gross profit increased by approximately HK$26.01 million, representing an increase of 11.7%, as compared to the gross profit in 2019. Loss attributable to the shareholders of the Company for the year ended 31 December 2020 amounted to approximately HK$94.24 million as compared to a profit attributable to the shareholders of the Company of approximately HK$234.79 million in 2019.

PROSPECTS

The market sentiment and business outlook in Mainland China have been plagued by the China-US trade tensions since 2017. On the other hand, concerning the COVID-19 pandemic, COVID-19 vaccines have started rolling out in a global scale since the beginning of 2021. Stringent preventive measures implemented throughout the outbreak in 2020 up to now has stabilised the COVID-19 situation in Mainland China and Hong Kong and the local retail market has begun to recover. With gradual lessening of stringent measures, consumers have begun to regain their inclination to spend. Economies in Mainland China and Hong Kong are expected to resume growth in 2021, but still, the breadth and strength of the recovery are subject to uncertainty. According to the IMF, the expected GDP growth rates in Mainland China and Hong Kong are 8.1% and 3.7% respectively in the post COVID-19 period.

Due to the effective and efficient control of COVID-19 in Mainland China, its economy had been largely recovered in the last quarter of 2020 and is expected to be driven by rising domestic demand in 2021. As an indication of such recovery, the Group remains optimistic and expects a steady growth in the demand of paint and coating products, in particular, the growth of demands from the manufacturing and construction sectors as well as stable demand in real estate property market in Mainland China. The CPM Group will continue to enhance its internal control and risk management systems and boost its production efficiency in response to the challenging business environment.

While maintaining its existing core paint and coating business operation through the CPM Group, the directors of the Company will constantly review the Group's investment property portfolio and remain prudent in considering the opportunity to acquire suitable investment properties so as to generate recurring income and cash flow for investment purposes and continue to explore other new business opportunities to drive the continuous development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2020, the Group is principally engaged in the paint and coating business through CPM, a non wholly-owned subsidiary of the Company and the shares of which are listed on the Stock Exchange of Hong Kong Limited, property investment and iron and steel trading business. The Group also holds certain equity investments for investment purpose. Detailed information on the paint and coating business is also set forth in the results announcement of CPM for the year ended 31 December 2020 and the following information on the paint and coating business is set forth for ease of reference.

PAINT AND COATING PRODUCTS

General Industry Background

The CPM Group's products can be broadly divided into industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products. Industrial paint and coating products are used in a wide range of applications, such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are used by manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall, floor and exterior parts of buildings. The CPM Group's architectural paint and coating products focus primarily on the construction and maintenance markets of the commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels and anti-mold agents and solvent agents, can be used for both architectural and industrial purposes.

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for 38.6% (2019: 41.0%), 44.4% (2019: 40.2%) and 17.0% (2019: 18.8%) of the total revenue of paint and coating business in 2020 respectively. The CPM Group continues to focus on Mainland China market which contributed to 90.5% (2019: 89.5%) of the total revenue of the CPM Group in 2020.

According to the information from National Bureau of Statistics of China (the "NBSC"), in terms of the tertiary industry classification, the paint and coating industry is integrated into the manufacturing industry sector of the secondary industry. Looking at the industry performance, the growth rate of the secondary industry was 2.6% in 2020, which was 55.2% less than the same in 2019. The growth rate of the industry sector was 2.4% in 2020, which was 57.9% less than the same in 2019.

When comparing with the industry performance, the CPM Group suffered less than the industry's average rate. The CPM Group has been striving to enhance the architectural paint and coating products in Mainland China and Hong Kong markets. During the year ended 31 December 2020, despite the decrease in the growth rate of the construction sector in Mainland China by 37.5% to 3.5% as compared to the corresponding growth rate of 5.6% in 2019, the CPM Group recorded a significant growth in the sale of paint and coating products to customers in the construction sector in Mainland China. Accordingly, the CPM Group's revenue generated from the architectural paint and coating products in Mainland China increased by 14.7% in 2020 as compared to the same in 2019 and the CPM Group's revenue generated from the construction and renovation contractors for property and infrastructure projects increased by 21.7% in 2020 as compared to the same in 2019.

On the other hand, in the manufacturing sector in Mainland China that, save for the fast-growing manufacturing segments of pharmaceutical and computer, communication and other electronic equipment which would record a positive growth in 2020, the general manufacturing segments of vehicle and plant and machinery, with which the CPM Group's businesses are associated, would record a negative growth in 2020. Accordingly, the CPM Group recorded a significant decline in the revenue generated from the manufacturing customers by 21.6% in 2020 as compared to the same in 2019.

Furthermore, according to the information from the NBSC, contributions from the gross domestic capital, net export of goods and services and the final consumption expenditure to China's GDP growth in 2020 changed significantly to 94.0%, 28.0% and -22.0% respectively, from 31.2%, 11.0% and 57.8% respectively, in 2019. Besides the significant decline in the final consumption expenditure, as one of the components of the gross domestic capital, the growth rate in the purchase of machinery and equipment also decreased by 7.1% in 2020 as compared to 2019. Consistent with the decline in the final consumption expenditure and the purchase of machinery and equipment, the CPM Group's revenue generated from the customers which engaged in the production and sales of various products (ranging from machinery and mechanical equipment, customer electronics, toys, electrical appliances, furniture to marine and automotive parts and components and household users) significantly decreased by 17.8% in 2020 as compared to the same in 2019. Hence, the CPM Group's overall revenue generated from the industrial manufacturers in 2020 significantly decreased by 21.6% as compared to the same in 2019.

Stable Revenue Generated from the Paint and Coating Products

Total revenue of the CPM Group in 2020 was rather stable with a decrease of just 0.1% from 2019. For the year ended 31 December 2020, the amount of revenue generated from the sales of industrial paint and coating products, and general paint and coating and ancillary products decreased by 5.8% and 9.8% respectively, while the amount of revenue generated from the sales of architectural paint and coating products increased by 10.4%. The decrease in sales of industrial paint and coating products, and general paint and coating and ancillary products to industrial manufacturers, wholesale distributors and retail distributors were compensated by the increase in sales of architectural paint and coating products to construction and renovation contractors for property and infrastructure projects. Such decreases in revenue during the year ended 31 December 2020 were primarily due to the adverse impact of the COVID-19 pandemic in Mainland China and Hong Kong.

Expansion of the Sales of the Water-based Paint and Coating Products

For the year ended 31 December 2020, the sales volume of the water-based paint and coating products of the CPM Group increased by 16.9% as compared to the year ended 31 December 2019. The contribution from the water-based paint and coating products to the CPM Group's total revenue increased by 9.4% to 43.5% for the year ended 31 December 2020 as compared to the contribution of 39.7% for the year ended 31 December 2019. Such increase was primarily due to the continued expansion of the customers in construction and renovation contractors for property and infrastructure projects.

Significant Increase in the Sales to Construction and Renovation Contractors for Property and Infrastructure Projects in Mainland China

The CPM Group's revenue generated from solvent-based and water-based paint and coating products sold to the construction and renovation contractors for property and infrastructure in Mainland China increased by 17.6% to approximately HK$296.50 million for the year ended 31 December 2020, as compared to approximately HK$252.03 million for the year ended 31 December 2019. Despite the COVID-19 pandemic during the year, such increase was primarily due to the large market penetration by the CPM Group into the property and construction industry in Mainland China, ahead of the growth of the property and construction industry in Mainland China.

Geographical Analysis of the Revenue

Geographically, the majority of the CPM Group's revenue was generated from the Southern China, the Central China and the Eastern China. Revenue generated from these regions, in aggregate, accounted for 83.0% of the CPM Group's total revenue for the year ended 31 December 2020 as compared to that of 83.2% for the year ended 31 December 2019.

Large Market Penetration of the Property and Construction Industry in Mainland China

The CPM Group's revenue generated from construction and renovation contractors for property and infrastructure projects in Mainland China increased by 21.7% for the year ended 31 December 2020 as compared to the year ended 31 December 2019. During the year, even though the revenue generated in the Southern China decreased by 1.4%, the revenue generated in the Eastern China, the Central China, the Northern China and the Southwest China increased by 73.2%, 16.3%, 43.4% and 97.7% respectively. Such enhancement was primarily due to the expansion of the customer base of construction and renovation contractors nationwide in Mainland China.

Significant Decrease in Sales to Industrial Manufacturers in the Southern China and the Central China

For the year ended 31 December 2020, the CPM Group's sales to industrial manufacturers in the Eastern China and the Central China decreased by 24.1% and 34.9% respectively as compared to the year ended 31 December 2019. These industrial manufacturers are mainly engaged in the production and sales of machinery and equipment. According to the information from the NBSC, among the sectors in the Industrial Classification for National Economic Activities, the gross domestic fixed capital formation in the mining industry sector and the manufacturing sector significantly decreased by 14.1% and 2.2% respectively in 2020 as compared to the same in 2019. The significant decrease in gross domestic fixed capital formation in Mainland China in 2020 resulted in the significant decrease in the CPM Group's revenue generated from industrial manufacturers in the Southern China and the Central China.

Decrease in Sales to Construction and Renovation Contractors for Property and Infrastructure Projects in Hong Kong

For the year ended 31 December 2020, the CPM Group's sales to property construction and renovation contractors for property and infrastructure in Hong Kong decreased by 32.0% as compared to the year ended 31 December 2019. Such decrease was primarily due to the delays in delivery of key construction materials and closure of supply chain in Mainland China in early 2020, as well as delays or cancellation of tender exercise which resulted in delays and disruption to the progress of the works on construction and renovation projects in Hong Kong during the COVID-19 pandemic.

Raw Materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. Crude oil prices directly or indirectly impact the prices of such raw materials. In 2020, the overall crude oil prices dropped, possibly leading to price reductions of raw materials used for paint and coating products. However, a large number of raw materials, suppliers and other ingredient manufacturers were affected or disrupted in their productions due to employee illness and certain community lockdowns in the first half of 2020 under the COVID-19 pandemic, and hence, led to the shortage of raw materials and the increases in their respective prices in the second half of 2020. Despite a challenging situation, the overall costs of raw materials to revenue decreased by only 5.0% as compared to the year ended 31 December 2019.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the gross profit margin of the CPM Group increased by 9.8% from 27.6% to 30.3% and the gross profit of the CPM Group's increased by 9.7% from approximately HK$196.82 million to approximately HK$215.95 million as compared to the year ended 31 December 2019. The increases in the gross profit margin and gross profit were primarily due to the change in the product mix and the decrease in the prices of raw materials. However, due to the additional depreciation and other running expenses arising from the new production plant in Zhongshan (the "Zhongshan Production Plant"), which was operating under different phases of the trial production period during the year, the average unit production cost of the CPM Group increased by amortisation. As a result, part of the increase in the profit margin and the gross profit were offset against the higher amortisation rate of production cost for the year ended 31 December 2020.

Profitability Analysis

Despite the revenue remained stable for the year ended 31 December 2020, the CPM Group had an improvement in the gross profit margin. Furthermore, the CPM Group's selling and distribution expenses and the administrative expenses were both significantly reduced. As a result, the CPM Group recorded a loss attributable to its parent company of approximately HK$10.80 million for the year ended 31 December 2020, which was considerably less than the amount of loss of approximately HK$28.04 million for the year ended 31 December 2019. The implementation of the CPM Group's ongoing business measures and initiatives continued to improve the amount of loss of the CPM Group. The objective of these business measures and initiatives was to implement strategic plans to realign the strategic directions and priorities and to improve the efficiency of the business operations of the CPM Group. From other financial perspectives, the CPM Group's loss of approximately HK$10.74 million for the year ended 31 December 2020 (31 December 2019: loss of approximately HK$27.92 million) would have become a profit of approximately HK$28.19 million for the year ended 31 December 2020, (31 December 2019: loss of approximately HK$18.73 million) after excluding finance costs, income tax, depreciation of property, plant and equipment, depreciation of right-of-use assets, reversal of provision for impairment of trade receivables, provision for impairment of items of property, plant and equipment, fair value loss on investment properties and amortisation of intangible assets. This achievement is contributed by the CPM Group's appropriate business revamp measures and initiatives to respond to the challenging environments and with the clear implementation of business strategy to maintain the stable sales of the products of the CPM Group during the COVID-19 pandemic.

Integrating and Altering the Production Facilities in the Southern China

In 2020, more than 40.0% of the revenue of the CPM Group was contributed from the water-based paint and coating products or from the architectural paint and coating products. In addition, the manufacturing production of water-based paint and coating products in the production plant in Shajing (the "Shajing Production Plant") increased more than 80.0%, as compared to the year ended 31 December 2019. Accordingly, except for the newly-built production plant for the production of water-based paint and coating products in the Zhongshan Production Plant, the CPM Group decided to rationalise all solvent-based paint and coating products of manufacturing operations of the Shajing Production Plant and integrate it to the production plants in Xinfeng, the PRC and the Zhongshan Production Plant, and decided to focus on the production capacity of water-based paint and coating products in the Shajing Production Plant. As such, the CPM Group recorded staff termination payments of approximately HK$18.93 million for the year ended 31 December 2020 in relation to the integration of the production facilities in the Southern China.

The CPM Group will continue to enhance the production capabilities at the production facilities in Shenzhen and Zhongshan, the PRC, so that such production facilities together with the product research and development can serve those existing and potential customers in the Greater Bay Area, the PRC.

The COVID-19 created threats and opportunities which have changed the business environment in which the CPM Group operates. The CPM Group will continue to identify business and acquisition opportunities that could enhance the development of the paint business in the PRC.

PROPERTY INVESTMENT

Over the past decades, the Group have acquired certain investment properties, including residential, industrial, commercial premises, hotel and serviced apartment in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flows for long-term investment purposes.

As at 31 December 2020, the Group held an investment property portfolio consisting of 16 (2019: 14) properties with gross floor area of 337,463 square feet ("sq.ft.") (2019: 264,180 sq.ft.), including investment properties held by the CPM Group. These investment properties included residential, commercial, hotel, serviced apartment and industrial properties in Hong Kong and Mainland China for generating stable recurring income and cash flows for long-term investment purposes.

Revenue for the year amounted to approximately HK$31.57 million as compared to the same of approximately HK$22.52 million last year. The increase in revenue in 2020 was due to additional rental income received following the acquisition of investment properties in 2019. Segment loss amounted to approximately HK$63.37 million, as compared to the segment profit of approximately HK$267.43 million in 2019. The change in segment results from a profit for the year ended 31 December 2019 to a loss for the year ended 31 December 2020 was primarily due to (i) the absence of a gain on disposal of the subsidiaries (for the year ended 31 December 2019: HK$490.41 million); and (ii) the net fair value losses of approximately HK$93.88 million on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2020. The fair value losses of the Group's investment properties for the years ended 31 December 2019 and 2020 were HK$229.69 million and HK$93.88 million respectively. Such amount was in line with the overall market conditions of residential, commercial, hotel, serviced apartment and industrial investment property market in Hong Kong during the year.

As at 31 December 2020, the aggregate market value of investment properties held by the Group amounted to approximately HK$840.18 million (2019: HK$851.34 million), including investment properties held by the CPM Group, representing a decrease of 1.3% when compared to the same in 2019. Such decrease was mainly due to the decrease in the net fair value losses of the Group's investment property portfolio in 2020 of approximately HK$93.88 million, the acquisition of investment property during the year of approximately HK$3.65 million, transfer from owner-occupied properties of approximately HK$33.77 million, transfer from leasehold land of approximately HK$27.58 million and the exchange realignment upon the appreciation of Renminbi assets.

The average occupancy rate for 2020 ascended to 95.8%, as compared to the same of 76.9% in 2019. The increase in the average occupancy rate was mainly due to the high retention rate of existing tenants renewing tenancy agreements during the year as well as the tenancy agreements entered for the newly acquired hotel and serviced apartment. The recorded gross rental income (including inter-group rental income) rose to approximately HK$36.48 million in 2020 as compared to approximately HK$27.80 million in 2019.

The business model of the Group is designed to balance short-term capital needs and long-term financial strength. While the Group strategically holds selected properties for investment for stable recurring rental income and capital appreciation, the Group may also sell certain properties for investment to fund its business, operations and expansion plans. This allows the Group to generally fund its operations through cash flows stemming from the rental income while allowing it to benefit from additional capital from the sale of these properties for overall operations. The Group is also able to enjoy potential capital appreciation on its properties for investment over the long-term to take advantage of prime locations of its properties.

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 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, i.e. November 2017. The permission will not be valid after the expiry date, unless the permission is renewed or the development permitted is commenced. The 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. The 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 the 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 departments and parties for comments.

The Group has applied five times of extension of time for compliance with relevant approval conditions in relation to the submission of relevant assessments, reports, plans or measures to 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 thirty-six months until November 2020 and advised that no further extension would be granted unless under very special circumstances.

The Group has been striving hard to fulfil the conditions as imposed by the TPB and liaison with the TPB has been held for almost 10 years since the date of its application. In view of the difficulties encountered, the Group has engaged an independent town planner to advise on chances in obtaining the approvals from government authority and parties affected. In performing its evaluation, the independent town planner took into account that (i) our columbarium proposal was rejected by Pok Oi Hospital; and (ii) approval conditions, in particular, traffic impact to be brought by the columbarium to its surrounding environment, are difficult to resolve, the independent town planner considered the chance of complying with approval conditions is extremely low. Following the professional advice, the Group decided not to apply for further extension of time and abandoned the proposed columbarium project. Accordingly, the planning permission was revoked by TPB on 14 November 2020.

The Group is exploring alternative development plans with less traffic impact on the local network as well as more compatible land-use with the surrounding environment. The Company will further inform its shareholders with information on the alternative development plans as and when appropriate.

Acquisition of a Commercial Property in Pudong New Area, Shanghai, the PRC

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

IRON AND STEEL TRADING AND RELATED INVESTMENTS

The iron and steel industry is one of the major industrial sectors in Mainland China. The iron and steel products can be classified into two subclasses, namely, ferrous metals and non-ferrous metals. The Group is currently trading in ferrous metals and specialises in tinplate trading.

In view of the severe competition and the sluggish economic conditions in the domestic economy in Mainland China, the sales for tinplate products significantly decreased by 48.6%, as compared to last year. The gross profit margin decreased from 3.3% in 2019 to 0.4% in 2020. The China-US trade tensions brought an adverse effect on the export of tinplate products from Mainland China.

Looking ahead, the Group strive to stay competitive in the market and increase its customers' base in Mainland China and position for profitable growth.

Disposal of an associated company

As disclosed in the Company's announcement on 24 December 2020, an equity transfer agreement dated 24 December 2020 (the "Equity Transfer Agreement") was entered into by CNT Tin Plate Limited ("CNT Tin Plate"), a wholly-owned subsidiary of the Company, under which CNT Tin Plate, agreed to sell all of its 20% equity interest in Guangzhou Pacific Tinplate Company Limited (the "PATIN"), a sino-foreign equity joint venture established in the PRC, to a shareholder of PATIN for the consideration of RMB18.78 million.

The disposal was completed on 30 December 2020 and an amount of RMB16.91 million, being 90% of the consideration for the equity transfer in accordance with the terms of the Equity Transfer Agreement, was duly received in February 2021.

EQUITY INVESTMENTS

Equity Investments Designated at Fair Value Through Other Comprehensive Income

The Group has 12.5% equity interest in Profitable Industries Limited (the "PIL"), an investment holding company with a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, the PRC as its principal asset. The Cemetery is operated under the name of "Fortune Wealth Memorial Park". 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.

As disclosed in the interim report of Chuang's China Investments Limited (stock code: 298) for the six months ended 30 September 2020, the Fortune Wealth Memorial Park operated as a cemetery with a site area of approximately 518 mu. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. Currently, land use rights of approximately 148.2 mu have been obtained and additional land quota of about 119.8 mu shall be required. On the sale aspects, the Cemetery is for sale not only in Mainland China, but also includes overseas Chinese, as well as the residents of Hong Kong, Macau and Taiwan.

The Group has engaged an independent professional appraisal firm to perform a valuation on the fair market value of the PIL as at 31 December 2020 based on "Adjusted Net Asset Value" method which has taken into account, inter alia, property valuation of the Cemetery and a discount for the Group's minority holding in the PIL. The fair market value of this equity investment as at 31 December 2020 was approximately HK$40.02 million when compared with approximately HK$41.66 million as at 31 December 2019.

OUTLOOK

The world is in the midst of the COVID-19 pandemic. Following the effects made on COVID-19 vaccines and the increasing number of vaccinated populations in Mainland China and most of the developed countries, the global economy is expected to gradually recover. The governments in major economies have provided significant fiscal and monetary policies to support the economy and to ensure that the recovery from this difficult period will be as robust as possible. However, the China-US tensions and geopolitical landscape still pose challenges and uncertainties to the global economy. Although Mainland China was the first country to be hit by COVID-19, its economy was recovering first. The economy in Mainland China had returned to growth in the second quarter of 2020. Driven by a development model that emphasises both domestic demand and international trade of Mainland China was the only major economy that achieved an economic growth in 2020.

Mainland China is a principal market of the CPM Group. The management of the CPM Group believes that the fundamentals of the business initiatives, including boosting its business performance by increasing the selling prices of the paint and coating products, improving the procurement and sourcing process, optimising the product mix and production distribution channels of the CPM Group and integrating the production facilities of the CPM Group in Mainland China, remain effective and necessary. In addition, in order to increase the CPM Group's market share in Mainland China, extend the geographical sales in Mainland China and expand the customers base, the CPM Group will continue to explore production cooperation with selected paint and coating manufacturers on an OEM (Original Equipment Manufacturers) basis.

In addition, the CPM Group continues to review and enhance its production facilities and its production capacity in providing a reliable, adequate and quality supply of paint and coating products. Given that the ongoing integration and enhancement of production facilities in the Guangdong-Hong Kong-Macao Greater Bay Area, the CPM Group is ready to capitalise on the opportunities that may arise in this uniquely challenging period.

In Hong Kong, the operating environment for certain industries such as retail, catering and tourism has been severely impacted due to the COVID-19 pandemic. Strict border controls and quarantine measures would inevitably have negative impact on the local economy in the short-term. The expected rise in unemployment rate may also cast a shadow over the Hong Kong's economy recovery. Following the COVID-19 pandemic, the real estate industry could still be disrupted due to new adoption of behaviour, such as work-from-home policy which may potentially negatively impact the office rental market. The Group's rental portfolio may face downward adjustment pressure in rents in 2021. The Group will closely monitor the market situation and proactively respond to the market changes. Nevertheless, Hong Kong is well positioned under the principle of "One Country, Two Systems" and it is expected that it will benefit from the continuous growth of the Greater Bay Area and the recovery of the global economic prospects.

In Mainland China, the PRC government aims to maintain a stable real estate industry. The national policies in Mainland China remain rigorous in emphasising that "house is for accommodation, but not speculation". The COVID-19 pandemic has not derailed the PRC government's urbanisation plan. The property market in Mainland China is expected to be constantly affected by the government's policy of balancing supply and demand and accelerating the establishment of a long-term stable and healthy development mechanism. The Group remains conservatively optimistic on the steady and healthy growth of the real estate market in Mainland China.

The Group will constantly monitor the investment property markets in Hong Kong and Mainland China and will act prudently in making any decision on the acquisition of new property for investment purpose.

For equity investment, the Group will invest part of the surplus cash to the global securities markets to seek for a higher return than the current income from fixed deposit. The Board believes that this investment is in the interest of the Group and the shareholders of the Company as a whole.

FINANCIAL REVIEW

The management of the Group has been provided with key performance indicators ("KPIs") to manage its business, through evaluating, controlling and setting strategies to improve performance. Such KPIs include revenue, gross profit margin, net profit/loss attributable to shareholders, inventory turnover days and trade and bill receivables turnover days.

RESULTS

The Group recorded a loss attributable to the shareholders of the Company of approximately HK$94.24 million for the year, as compared to a profit attributable to the shareholders of approximately HK$234.79 million last year. Revenue for the year amounted to approximately HK$781.51 million, representing a decrease of 3.3%, as compared to the same of last year. Gross profit for the year amounted to approximately HK$247.69 million, representing an increase of 11.7%, as compared to the same of last year. The gross profit margin increased by 4.3 percentage point ("pp") from 27.4% in 2019 to 31.7% in 2020.

SEGMENT INFORMATION

Business Segments

Paint and Coating Products

Paint operation continued to contribute the largest revenue to the Group with revenue of approximately HK$712.89 million, accounting for 91.2% of the Group's total revenue. Segment revenue for the year slightly decreased by 0.1%, as compared to the same of last year. The gross profit margin increased by 9.8% from 27.6% in 2019 to 30.3% in 2020. The increase in gross profit margin was primarily due to the change in the product mix and the decrease in the prices of raw materials. Segment loss for the year amounted to approximately HK$6.72 million, representing a significant decrease of 64.3%, as compared to segment loss of approximately HK$18.82 million in 2019.

In consideration of the prevailing market volatilities, the Group will continue to closely monitor market conditions, adopt a prudent approach in the procurement of raw materials and exercise strict control over the overheads in order to maintain the gross profit margin of the paint and coating products.

Property Investment

Property investment operation reported revenue of approximately HK$31.57 million, accounting for 4.0% of the Group's total revenue. Segment loss for the year approximately HK$63.37 million, as compared to the segment profit of approximately HK$267.43 million last year. The significant decrease in segment profit was primarily due to the absence of the gain on disposal of Sai Kung. Properties (2019: HK$490.41 million) and the record of net fair value losses of the investment properties of approximately HK$93.88 million as at 31 December 2020.

Iron and Steel Trading and Related Investments

Iron and steel operation reported revenue of HK$37.05 million, accounting for 4.7% of the Group's total revenue. Revenue for the year decreased by 48.6%, as compared to the same of last year, as the demand on tin mill black plate in Mainland China decreased significantly during the year, with the severe competition as well as the sluggish economic conditions in Mainland China under the COVID-19 pandemic. Segment profit for the year amounted to approximately HK$0.34 million, as compared to the same of approximately HK$6.73 million last year. The decrease in segment profit for the year was primarily due to the absence of a gain on acquisition of a subsidiary (2019: HK$9.13 million) and the write-down of inventories to net realisable value in 2020. The gross profit margin decreased from 3.3% in 2019 to 0.4% in 2020 was primarily due to the write-down of inventories to net realisable value of approximately HK$0.82 million in 2020.

Geographical Segments

All of the Group's businesses are mainly operated in Mainland China and Hong Kong. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK$687.15 million (2019: HK$716.06 million) and approximately HK$94.36 million (2019: HK$91.86 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK$502.12 million as at 31 December 2020, as compared to approximately HK$465.37 million as at 31 December 2019. Bank borrowings amounted to approximately HK$269.69 million as at 31 December 2020, as compared to approximately HK$216.44 million as at 31 December 2019. The Group's bank borrowings mainly carried interest at floating rates. Of the Group's total bank borrowings as at 31 December 2020, approximately HK$269.69 million (100%) was payable within one year.

Gearing ratio of the Group which was expressed as a percentage of total bank borrowings to shareholders' fund was 17.0% as at 31 December 2020 compared with 13.1% as at 31 December 2019.

Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 1.75 times as at 31 December 2020 compared with 1.93 times as at 31 December 2019.

For the year under review, the inventory turnover days[1] were 54 days compared with 44 days in 2019. The trade and bills receivables turnover days[2] were increased from 144 days in 2019 to 184 days in 2020.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2020 was approximately HK$1,584.67 million compared with approximately HK$1,651.07 million as at 31 December 2019. Net assets value per share as at 31 December 2020 was HK$0.91 compared with HK$0.94 as at 31 December 2019. Shareholders' funds per share as at 31 December 2020 was HK$0.83 compared with HK$0.87 as at 31 December 2019.

Contingent Liabilities

At 31 December 2020, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$8.60 million compared with approximately HK$9.19 million as at 31 December 2019.

Pledge of Assets

Certain property, plant and equipment, investment properties and cash deposits with an aggregate net book value of approximately HK$473.85 million as at 31 December 2020 (31 December 2019: HK$377.82 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings and bills payable. At 31 December 2020, the total outstanding secured bank borrowings amounted to approximately HK$219.69 million compared with approximately HK$195.63 million as at 31 December 2019 and bills payables amounted to approximately HK$8.60 million as at 31 December 2020 compared with approximately HK$8.09 million as at 31 December 2019.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 366 days (31 December 2019: 365 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 366 days (31 December 2019: 365 days).

TREASURY MANAGEMENT

Funding and Treasury Policy

The Group adopts a prudent approach in its funding and treasury policy, which aims at maintaining an optimal financial position for the Group and minimising its financial risks. The Group regularly reviews the funding requirements to ensure there are adequate financial resources to support its business operations and future investments as and when needed.

Foreign Currency Exposure

The Group's cash, bank balances and bank borrowings were mainly denominated in Hong Kong dollar, Renminbi and United States dollar. The Group's results can be affected by movements in the exchange rate between Hong Kong dollar, Renminbi and United States dollar. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2020. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

During the year under review, the Group invested a total sum of approximately HK$30.37 million (2019: HK$19.19 million) in the acquisition of property, plant and equipment and investment properties. In addition, the Group acquired investment properties through the acquisition of subsidiaries during the year amounted to Nil (2019: HK$713.00 million).

HUMAN RESOURCES

Headcount as at 31 December 2020 was 809 (31 December 2019: 817). Staff costs (excluding directors' emoluments) amounted to approximately HK$141.86 million for the year as compared with approximately HK$153.03 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is based on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINTIES FINANCIAL RISKS

Interest Rate Risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature, whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

Currency Rate Risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in Hong Kong dollars, United States dollars and Renminbi. The Group also has significant investments in Mainland China and its statement of financial position can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past payment history and historical write-off experience. If the financial condition of its debtors deteriorates which resulted in actual impairment loss that might be higher than expected, the Group would be required to revise the basis of making the allowance.

BUSINESS RISKS

Market Risks

Loss of market share to competitors is the market risk to the Group. The Group's core markets in Hong Kong and Mainland China are subject to increasing competition. Loss of business to competitors resulting from failure to consider changes in Hong Kong and Mainland China could have an adverse effect on the Group's financial position. The Group has specialised sales and marketing teams and is committed to protect existing business with competitive pricing policies and high-quality green and safe paint products.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, safety standards, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year, the Group has carried out the following environmental works for the paint business of the Group with the aims of "Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability":

(1) effective monitoring on air emission and source of water pollution in accordance with the relevant statutory and regulatory requirements;

(2) disposal of hazardous solid waste via qualified waste disposal service providers;

(3) effective use of water and electricity; and

(4) education to the staff on environmental protection laws and regulations to enhance their awareness on environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

UPDATE ON DERIVATIVE ACTION

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

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

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the year ended 31 December 2020. The Board has not yet authorised any plan for other material investments or additions of capital assets.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after 31 December 2020.

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 year.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has met the external auditors of the Company, Messrs. Ernst and Young ("EY"), and reviewed the Group's annual results for the year ended 31 December 2020.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by EY, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

CORPORATE GOVERNANCE

For the year ended 31 December 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

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 of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2020.

On behalf of the Board
CNT Group Limited
Lam Ting Ball, Paul
Chairman

Hong Kong, 30 March 2021

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. Huang De Rui, Mr. Zhang Xiaojing, Ms. Lin Yingru, Mr. Cheng Wai Po, Samuel and Mr. Ko Kwok Fai, Dennis as independent non-executive directors.