CNT GROUP LIMITED

北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF 2021 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2021	2020	
	(Unaudited)	(Unaudited)	Change
	HK$'000	HK$'000	%
Results			
Revenue	**432,665**	293,904	47.2
Gross profit	**109,006**	95,085	14.6
Gross profit margin	**25.2%**	32.4%	-22.2
Profit/(loss) for the period	**198**	(68,675)	N/A
Profit/(loss) attributable to:			
Shareholders of the Company	**4,292**	(63,450)	N/A
Non-controlling interests	**(4,094)**	(5,225)	-21.6
Earnings/(loss) per share (HK cents)			
Basic and diluted	**0.23**	(3.33)	N/A

	As at 30 June 2021	As at 31 December 2020	
	(Unaudited)	(Audited)	Change
	HK$'000	HK$'000	%
Financial Position			
Cash and cash equivalents, structured deposits and pledged deposits	**401,971**	510,662	-21.3
Bank borrowings	**277,545**	269,689	2.9
Gearing ratio	**17.8%**	17.0%	4.7
Net asset value per share (HK$)	**0.89**	0.91	-2.2
Shareholders' funds per share (HK$)	**0.82**	0.83	-1.2

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of CNT Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 together with comparative amounts for the corresponding period in 2020. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Board's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June** **2021** **(Unaudited)** **HK$'000**	2020 (Unaudited) HK$'000
REVENUE	3	**432,665**	293,904
Cost of sales		**(323,659)**	(198,819)
Gross profit		**109,006**	95,085
Other income and gains, net	3	**9,714**	16,274
Selling and distribution expenses		**(52,127)**	(42,722)
Administrative expenses		**(68,083)**	(62,676)
Other expenses, net		**(10,079)**	(14,486)
Fair value gains/(losses) on investment properties, net	10	**15,539**	(54,724)
Finance costs	4	**(2,814)**	(3,657)
Share of profits and losses of associates, net		**806**	(574)
PROFIT/(LOSS) BEFORE TAX	5	**1,962**	(67,480)
Income tax expenses	6	**(1,764)**	(1,195)
PROFIT/(LOSS) FOR THE PERIOD		**198**	(68,675)
ATTRIBUTABLE TO:			
Owners of the parent		**4,292**	(63,450)
Non-controlling interests		**(4,094)**	(5,225)
		198	(68,675)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**HK0.23 cents**	HK(3.33) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**198**	(68,675)
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	**7,268**	(15,387)
Share of other comprehensive loss of an associate	**–**	(160)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**7,268**	(15,547)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**7,268**	(15,547)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**7,466**	(84,222)
ATTRIBUTABLE TO:		
Owners of the parent	**10,163**	(75,942)
Non-controlling interests	**(2,697)**	(8,280)
	7,466	(84,222)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	**30 June 2021 (Unaudited) HK$'000**	31 December 2020 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**258,518**	261,071
Investment properties	10	**857,886**	840,182
Properties under development		**28,000**	28,000
Right-of-use assets		**99,851**	100,506
Interest in an associate		**1,783**	2,666
Equity investments designated at fair value through other comprehensive income		**47,976**	47,976
Deposits for purchases of property, plant and equipment		**1,118**	815
Net pension scheme assets		**5,464**	5,464
Deferred tax assets		**19,455**	18,737
Total non-current assets		**1,320,051**	1,305,417
CURRENT ASSETS			
Inventories		**99,379**	78,749
Trade and bills receivables	11	**413,387**	392,550
Prepayments, deposits and other receivables		**105,751**	108,829
Financial assets at fair value through profit or loss		**7,630**	–
Structured deposits		**6,005**	5,958
Pledged deposits		**7,990**	2,580
Cash and cash equivalents		**387,976**	502,124
Total current assets		**1,028,118**	1,090,790
CURRENT LIABILITIES			
Trade and bills payables	12	**234,133**	234,067
Other payables and accruals		**79,636**	100,944
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**277,545**	269,689
Lease liabilities		**3,550**	2,950
Tax payable		**10,864**	12,180
Total current liabilities		**608,528**	622,630
NET CURRENT ASSETS		**419,590**	468,160
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,739,641**	1,773,577

	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**1,745**	1,835
Deferred tax liabilities	**35,388**	33,332
Deferred income	**1,137**	1,281
Deposits received	**1,350**	4,000
Total non-current liabilities	**39,620**	40,448
Net assets	**1,700,021**	1,733,129
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,366,392**	1,394,303
	1,556,761	1,584,672
Non-controlling interests	**143,260**	148,457
Total equity	**1,700,021**	1,733,129

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited condensed consolidated interim financial statement.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate and the Hong Kong Prime Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (the "COVID-19") by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19. The amendment did not have any impact on the Group's unaudited condensed consolidated interim financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment segment comprises:

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

(ii) the development and sale of properties;

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

(d) the others segment comprises, principally, investment holding and securities trading.

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 2021	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	**403,797**	**15,805**	**13,063**	**–**	**432,665**
Intersegment sales	**–**	**2,358**	**–**	**–**	**2,358**
Other revenue and gains	**6,234**	**18,395**	**70**	**(892)**	**23,807**
	410,031	**36,558**	**13,133**	**(892)**	**458,830**
Reconciliation:					
Elimination of intersegment sales					**(2,358)**
Total					**456,472**
Segment results	**(14,659)**	**28,842**	**1,133**	**(1,211)**	**14,105**
Reconciliation:					
Elimination of intersegment results					**(46)**
Interest income					**1,446**
Finance costs					**(2,814)**
Corporate and other unallocated expenses					**(10,729)**
Profit before tax					**1,962**

Six months ended 30 June 2020	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue:					
Sales to external customers	267,220	15,444	11,240	–	293,904
Intersegment sales	–	2,513	–	–	2,513
Other revenue and gains	13,360	45	242	243	13,890
	280,580	18,002	11,482	243	310,307
Reconciliation:					
Elimination of intersegment sales					(2,513)
Total					307,794
Segment results	(17,089)	(39,299)	(1,673)	(655)	(58,716)
Reconciliation:					
Elimination of intersegment results					(57)
Interest income					2,384
Finance costs					(3,657)
Corporate and other unallocated expenses					(7,434)
Loss before tax					(67,480)

As at 30 June 2021	**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	**1,122,860**	**922,691**	**17,359**	**57,094**	**2,120,004**
Reconciliation:					
Elimination of intersegment receivables					**(793)**
Corporate and other unallocated assets					**228,958**
Total assets					**2,348,169**
Segment liabilities	**560,285**	**86,204**	**587**	**204**	**647,280**
Reconciliation:					
Elimination of intersegment payables					**(793)**
Corporate and other unallocated liabilities					**1,661**
Total liabilities					**648,148**

As at 31 December 2020	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	1,145,383	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

Six months ended 30 June 2021	**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	**8,970**	**62**	**–**	**–**	**9,032**
Corporate and other unallocated capital expenditure					**–**
					9,032*
Six months ended 30 June 2020					
Segment capital expenditure:					
Capital expenditure	8,582	4,042	–	–	12,624
Corporate and other unallocated capital expenditure					8
					12,632*

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

During the six months ended 30 June 2021 and 2020, 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 2021 (Unaudited) HK$'000	2020 (Unaudited) HK$'000
Revenue from contracts with customers		
Sale of paint products	**403,797**	267,220
Sale of iron and steel products	**13,063**	11,240
Revenue from other sources		
Gross rental income from investment properties operating leases	**15,805**	15,444
	432,665	293,904

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021	**Paint products (Unaudited) HK$'000**	**Iron and steel products (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segments			
Sale of industrial products	**403,797**	**13,063**	**416,860**
Geographical markets			
Hong Kong	**34,959**	**–**	**34,959**
Mainland China	**368,838**	**13,063**	**381,901**
Total revenue from contracts with customers	**403,797**	**13,063**	**416,860**
Timing of revenue recognition			
Goods transferred at a point in time	**403,797**	**13,063**	**416,860**

For the six months ended 30 June 2020	Paint products (Unaudited) HK$'000	Iron and steel products (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segments			
Sale of industrial products	267,220	11,240	278,460
Geographical markets			
Hong Kong	36,752	–	36,752
Mainland China	230,468	11,240	241,708
Total revenue from contracts with customers	267,220	11,240	278,460
Timing of revenue recognition			
Goods transferred at a point in time	267,220	11,240	278,460

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains, net		
Interest income from structured deposits	**89**	–
Bank interest income	**1,357**	2,384
Dividend income from financial assets at fair value through profit or loss held for trading	**62**	–
Government grants*	**3,025**	1,171
Recognition of deferred income	**153**	141
Rental income	**2,675**	1,737
Government subsidies^	**–**	671
Gain on deposits paid for purchases of property, plant and equipment#	**–**	9,350
Gain on disposal of items of property, plant and equipment, net	**105**	59
Foreign exchange differences, net	**356**	–
Surrender income for early termination of tenancy agreement	**2,500**	–
Fair value gains on financial assets at fair value through profit or loss held for trading, net	**218**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**(1,515)**	–
Others	**689**	761
	9,714	16,274

* 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.

^ During the six months ended 30 June 2020, 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 31 August 2020.

During the six months ended 30 June 2020, a termination agreement was signed between the government of Xinfeng, Guangdong, the PRC and an indirectly owned subsidiary of the Company, to terminate the previous signed acquisition agreement (i.e. a parcel of land located in Xinfeng). The 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)

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**2,755**	3,610
Interest on lease liabilities	**59**	47
	2,814	3,657

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**323,659**	198,819
Depreciation of property, plant and equipment	**12,725**	11,739
Depreciation of right-of-use assets	**3,867**	3,043
Provision for impairment of property, plant and equipment*	**–**	5,011
Write-down/(write back) of inventories to net realisable value, net#	**(393)**	62
Provision for impairment of trade receivables, net*	**3,260**	4,186
Fair value gains on financial assets at fair value through profit or loss held for trading, net	**(218)**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**1,515**	–
Dividend income from financial assets at fair value through profit or loss held for trading	**(62)**	–
Gain on deposits paid for purchases of property, plant and equipment*	**–**	(9,350)
Gain on disposal of items of property, plant and equipment, net*	**(105)**	(59)
Write-off of items of property, plant and equipment	**216**	146
Foreign exchange differences, net*	**(356)**	422

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

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2020: Nil). 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 2020: 25%) during the period, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2020: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$159,000 (six months ended 30 June 2020: HK$159,000) is included in "Share of profits and losses of associates, net" in the unaudited condensed consolidated statement of profit or loss.

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

The calculation of the basic and diluted earnings/(loss) per share amount is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent of HK$4,292,000 (six months ended 30 June 2020: loss of HK$63,450,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2020: 1,903,685,690) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

8. DIVIDEND

At the annual general meeting held on 26 May 2021, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2020 of HK2.0 cents (year ended 31 December 2019: HK2.0 cents) per share which amounted to approximately HK$38,074,000 (year ended 31 December 2019: HK$38,074,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of properties, plant and equipment at costs of HK$8,728,000 (six months ended 30 June 2020: HK$9,813,000).

Items of properties, plant and equipment with an aggregate net book value of HK$42,000 (six months ended 30 June 2020: HK$206,000) were disposed of by the Group during the six months ended 30 June 2021.

In addition, there was no impairment of property, plant and equipment (six months ended 30 June 2020: HK$5,011,000) for the six months ended 30 June 2021.

10. INVESTMENT PROPERTIES

	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
Carrying amount at beginning of period/year	**840,182**	851,339
Additions	**–**	3,648
Fair value gains/(losses), net	**15,539**	(93,876)
Transfer from deposits for purchases of property, plant and equipment, and investment properties	**–**	937
Transfer from owner-occupied properties	**–**	33,765
Transfer from leasehold land	**–**	27,575
Exchange realignment	**2,165**	16,794
Carrying amount at end of period/year	**857,886**	840,182

The Group's investment properties were revalued on 30 June 2021 based on valuations performed by BMI Appraisals Limited, an independent professional 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 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 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 are 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:

	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
Within three months	**240,480**	236,349
Over three months and within six months	**75,757**	85,498
Over six months	**97,150**	70,703
	413,387	392,550

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 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
Within three months	**227,864**	213,935
Over three months and within six months	**5,051**	19,878
Over six months	**1,218**	254
	234,133	234,067

The trade payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2021, bills payables with an aggregate carrying amount of HK$26,633,000 (31 December 2020: HK$8,600,000) were secured by time deposits of HK$7,990,000 (31 December 2020: HK$2,580,000).

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 2021 and 2020, no share options were granted under the 2012 Scheme.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021 (the "2021 First Six-month Period"), the Group is principally engaged in property investment business, paint and coating business through CPM Group Limited ("CPM", together with its subsidiaries collectively as the "CPM Group"), a company listed on the Stock Exchange (stock code:1932), and iron and steel trading business. The Group also holds certain equity and listed securities for investment purpose. Further information on the paint and coating business is also set forth in the interim report of CPM for the 2021 First Six-month Period, and the following information on the paint and coating business is set forth for ease of reference.

The Group recorded a profit attributable to the shareholders of the parent company (the "Shareholders") of HK$4.29 million for the 2021 First Six-month Period as compared to a loss attributable to the Shareholders of HK$63.45 million for the six months ended 30 June 2020 (the "2020 First Six-month Period"). The turnaround in the profitability of the Group for the 2021 First Six-month Period was primarily due to the net fair value gains of approximately HK$15.54 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2021 as compared to the net fair value losses of approximately HK$54.72 million as at 30 June 2020.

The Group recorded a revenue of HK$432.67 million for the 2021 First Six-month Period representing an increase of 47.2% from HK$293.90 million for the 2020 First Six-month Period, and a gross profit of HK$109.01 million for the 2021 First Six-month Period, representing an increases of 14.6% from HK$95.09 million for the 2020 First Six-month Period. The increase in the Group's revenue and gross profit were primarily due to the increase in the amount of revenue generated from the paint and coating business of the CPM Group during the 2021 First Six-month Period.

The revenue of the paint and coating business accounted for 93.3% of the Group's revenue for the 2021 First Six-month Period as compared to 90.9% of the same for the 2020 First Six-month Period.

Paint and Coating Business

General Industry Background

Major industries in Mainland China recorded a strong rebound during the first half of 2021. National Bureau of Statistics of China (the "NBSC") announced on 16 July 2021 that Mainland China's gross domestic product ("GDP") grew by 12.7% in the first half of 2021, which was higher than the 1.6% GDP contraction in the first half of 2020. Furthermore, Hong Kong experienced a 7.8% growth in GDP in the first half of 2021, which was much better than 9.0% GDP contraction in the same period of 2020. The economic rebound in both Mainland China and Hong Kong was as a result of the efficient and effective measures imposed by the governments in preventing and controlling the spread of the COVID-19.

In the first half of 2021, the rebound in China's economy boosted the demand for paint and coating products in Mainland China, especially in (i) the real estate industry; (ii) the manufacturing industry; (iii) the retail business of decorating paint and coating products; and (iv) the sales of the furniture paint and coating products.

For the real estate industry in Mainland China, the cumulative construction area of construction-in-progress increased by 10.2% in the first half of 2021, as compared to an increase of 2.6% in the first half of 2020. Furthermore, the cumulative completion area grew by 25.7% in the first half of 2021, as compared to a 10.5% decline in the first half of 2020. In the PRC manufacturing industry, the average capacity utilisation rate in the first half of 2021 grew by 6.8%, as compared to a decline of 5.3% in the first half of 2020. On the other hand, the retail sales of construction and decorative paint and coating products in the first half of 2021 grew by 32.9%, as compared to a decline of 21.5% in the first half of 2020 and the retail sales of paint and coating products for furniture goods, including furniture manufacturing purpose, increased by 30.0% in the first half of 2021, as compared to a decrease of 26.6% in the first half of 2020.

Segmental Results

The revenue of the CPM Group increased by 51.1% to HK$403.80 million during the 2021 First Six-month Period as compared to HK$267.22 million for the 2020 First Six-month Period. The CPM Group's gross profit for the 2021 First Six-month Period increased by 16.5% to HK$92.32 million for the 2021 First Six-month Period as compared to HK$79.25 million for the 2020 First Six-month Period. During the 2021 First Six-month Period, the segment loss amounted to HK$14.66 million as compared to that of HK$17.09 million for the 2020 First Six-month Period. The decrease in loss of the CPM Group during the 2021 First Six-month Period was primarily attributed to the combination of the following factors:

Increase in revenue due to the sharp rebounding of Mainland China's economy to pre-COVID-19 levels

The CPM Group's overall results have been positively impacted by Mainland China's strong economic recovery. As compared to the same period in 2020, the CPM Group's revenue generated in Mainland China increased by 60.0% from HK$230.47 million to HK$368.84 million for the 2021 First Six-month Period. The percentage increase in revenue in Mainland China generated by the sales of industrial paint and coating products, architectural paint and coating products and general paint and coating and ancillary products for the 2021 First Six-month Period was 53.2%, 67.9% and 53.9% respectively. The rise in revenue in Mainland China during the 2021 First Six-month Period was largely driven by the economic recovery of Mainland China during the COVID-19. According to the NBSC's information, the sales of the manufacturing industry in Mainland China during the first half of 2021 increased by 28.7% and retail sales of construction and decorative paint and coating products increased by 32.9%, as compared to the first half of 2020. The CPM Group's revenue in Mainland China for the 2021 First Six-month Period, increased by 60.0%. It was a significant improvement for the CPM Group over the general business environment in Mainland China.

Significant increase in the sales to construction and renovation contractors for property and infrastructure projects in Mainland China

After the quick recovery from the COVID-19 in Mainland China, the CPM Group continued to explore opportunities as one of the favoured suppliers of major property developers in Mainland China. The CPM Group's revenue generated from paint and coating products sold to the construction and renovation contractors for property and infrastructure in Mainland China increased by 80.5% to HK$172.86 million for the 2021 First Six-month Period, as compared to HK$95.78 million for the 2020 First Six-month Period. Such increase was mainly a result of the CPM Group's continued market penetration into the property and construction industry in Mainland China.

Further expansion of the sales of the water-based paint and coating products

With the large market penetration of the property and construction industry in Mainland China, the CPM Group's revenue generated from the water-based paint and coating products increased by 61.3% from HK$116.46 million to HK$187.85 million for the 2021 First Six-month Period, as compared to the 2020 First Six-month Period. Water-based paint and coating products contributed 46.5% to the CPM Group's total revenue for the 2021 First Six-month Period, representing an increase of 6.7% from 43.6% for the 2020 First Six-month Period. Such increase was primarily due to the further expansion of the customer base in construction and renovation contractors for property and infrastructure projects.

Cost of raw materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for a substantial portion of the total cost of raw materials. Prices of such raw materials are directly or indirectly affected by crude oil prices. Given that crude oil prices have recovered and were higher than the pre-COVID-19 levels, it has led to a significant increase in raw materials prices. In addition, with the strong demand, the undersupply of such raw materials caused further surges in the price of raw materials. For the 2021 First Six-month Period, the cost of raw materials increased significantly by 72.3%, which was greater than 51.1% of the overall revenue growth as compared to the 2020 First Six-month Period. In contrast, the percentage of the decrease in the gross profit margin was less than the percentage of the net increase in the cost of raw materials (which excluded the cost of raw materials associated with the increased sales) for the 2021 First Six-month Period. This percentage difference was due to improvements in operating efficiency and facility utilisation with high volumes of production.

Gross profit margin and gross profit of the CPM Group's products

Gross profit margin of the CPM Group during the 2021 First Six-month Period decreased by 22.9% from 29.7% for the 2020 First Six-month Period to 22.9% for the 2021 First Six-month Period. Such decrease was primarily due to the significant increase in the prices of major raw materials used for paint and coating products. The increase in sales increased the production volume and reduced the CPM Group's average production cost, including depreciation and direct labour, by amortisation. Therefore, a portion of the decrease in gross profit margin was offset by a lower amortisation rate of production costs for the 2021 First Six-month Period.

To reduce the impact on the substantial decline in gross profit margin, the CPM Group has made several upward adjustments in the selling prices of selected paint and coating products in Mainland China and Hong Kong. Moreover, the CPM Group approached certain well-known property developers in Mainland China to obtain their purchase orders and recognise the sales of paint and coating products for the 2021 First Six-month Period.

Despite the significant decline in the gross profit margin, the gross profit of the CPM Group for the 2021 First Six-month Period significantly increased by 16.5% to HK$92.32 million, as compared to the same period in 2020, owing to a surge in revenue during the 2021 First Six-month Period.

Selling and distribution expenses and administrative expenses

During the 2021 First Six-month Period, selling and distribution expenses of the CPM Group increased by 22.2% to HK$52.62 million. Such increase was primarily due to (i) an increase in transportation costs alongside an increase in the sales revenue; (ii) an increase in the advertising and promotion expenses as it was largely reduced for the 2020 First Six-month Period; and (iii) an increase in travelling costs as it was largely reduced for the 2020 First Six-month Period due to the then restrictions on business and social activities.

Administration expenses of the CPM Group increased by 3.9% to HK$54.54 million for the 2021 First Six-month Period, as compared to HK$52.47 million for the 2020 First Six-month Period. Such increase was primarily due to the appreciation of Renminbi for the 2021 First Six-month Period.

On a different note, the CPM Group improved the efficiency and effectiveness of the operation through the large volume of sales revenue for the 2021 First Six-month Period. Consequently, the percentage of selling and distribution expenses to revenue decreased from 16.1% for the 2020 First Six-month Period to 13.0% for the 2021 First Six-month Period, while the percentage of administrative expense to revenue decreased from 19.6% for the 2020 First Six-month Period to 13.5% for the 2021 First Six-month Period.

Moreover, the demand for the paint and coating products of the CPM Group was to a less extent affected by the seasonal factor, but the seasonality effect of different manufacturing industries and construction industries would affect the demand for the CPM Group's paint and coating products.

Property Investment Business

Investment Properties

As at 30 June 2021 and as at 31 December 2020, the investment property portfolio held by the Group included 16 properties with a total gross floor area of 337,463 square feet, which comprised of residential, commercial, hotel, serviced apartment and industrial properties in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flow for long-term investment purposes. The aggregate market value of investment properties held by the Group amounted to HK$857.89 million as at 30 June 2021 as compared to HK$840.18 million as at 31 December 2020, representing an increase of 2.1%. The increase in the market value of the investment properties was primarily due to the record of fair value gains on the investment properties.

The revenue generated from the property investment business for the 2021 First Six-month Period amounted to HK$15.81 million as compared to HK$15.44 million for the 2020 First Six-month Period. The revenue was stable during the period under review.

The average occupancy rate for the 2021 First Six-month Period reached 96.7% as compared to 95.6% for the 2020 First Six-month Period. Segment profit for the 2021 First Six-month Period amounted to HK$28.84 million as compared to a segment loss of HK$39.30 million for the 2020 First Six-month Period. The change in segment results from a loss for the 2020 First Six-month Period to a profit for the 2021 First Six-month Period was primarily due to the fair value gains of HK$15.54 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2021. The fair value losses of the Group's investment properties for the 2020 First Six-month Period was HK$54.72 million, while the fair value gains for the 2021 First Six-month Period was HK$15.54 million. Such amounts followed the general market conditions of the residential, commercial, hotel, serviced apartment and industrial property market in Hong Kong and Mainland China for the period under review.

As at 30 June 2021, the Group did not receive outstanding rental in an aggregate amount of HK$7.95 million due from the tenant of an investment property which is currently used as a hotel located in Wanchai, Hong Kong. The Group has taken the necessary steps to recover the outstanding amount and is in negotiations with the tenant for the settlement of the overdue amount within a fixed period of time. The Group has made a provision for impairment of trade receivables of HK$3.98 million as at 30 June 2021.

The Group will constantly review the portfolio of its investment properties and will act prudently in making any decision on the acquisition of new properties in Hong Kong and/or Mainland China that may generate a constant flow of income with capital gain potential.

Property Under Development

The Group is also actively exploring an alternative development plan on the vacant land of the Group located at Au Tau, Yuen Long, Hong Kong (the "Vacant Land") for the purpose of addressing various concerns that have been raised in relation to the proposed use of the Vacant Land. Currently, the Group intends to use the land for the development of an elderly home. Under the prevailing outline zoning plan (the "OZP"), the Vacant Land is categorised as "Undetermined" and "Government, Institution or Community" purposes. As noted in the OZP, all uses and developments that may take place on the undetermined zone would require the permission from the Town Planning Board (the "TPB"). Accordingly, the proposed development of the Vacant Land would be subject to the submission of a planning application for the proposed development under section 16 of the Town Planning Ordinance (Chapter 131 of the laws of Hong Kong). In preparation for such application, the Group has engaged a town planning consultant and a related team of professionals. The Group will submit the relevant applications to the TPB as and when appropriate.

Iron and Steel Trading Business

The revenue generated from the iron and steel trading business amounted to HK$13.06 million for the 2021 First Six-month Period as compared to HK$11.24 million for the 2020 First Six-month Period, representing an increase of 16.2%. The increase was primarily due to the increase in the demand for tin mill black plate during the 2021 First Six-month Period.

The gross profit margin improved from 3.5% for the 2020 First Six-month Period to 6.7% for the 2021 First Six-month Period. Segment profit for the 2021 First Six-month Period amounted to HK$1.13 million as compared to a segment loss of HK$1.67 million for the 2020 First Six-month Period. The record of the segment profit for the 2021 First Six-month Period was primarily due to the absence of share of loss from an associate, improvement in gross profit, as well as reversal of provision for impairment of trade receivables which was recovered during the period under review.

Other Business

Equity Investments Designated at Fair Value through Other Comprehensive Income

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

According to the disclosure in the annual report of Chuang's China Investments Limited (stock code: 298) for the year ended 31 March 2021, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. For Phase II and Phase III, land use rights of approximately 143 mu have been obtained, which will accommodate a total of 22,569 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu have been obtained and additional land quota of about 119.8 mu shall be required, for the construction of a total of 19,246 grave plots. Upon obtaining of the aforesaid land use rights, site formation works have commenced on parts of the land but residents on parts of the site refused to vacate and demanded for compensation to be paid by local government. Accordingly, the site is in idle status and the Fortune Wealth Memorial Park is liaising with the authority and monitor the idle land states.

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.

Financial Assets at Fair Value through Profit or Loss

During the 2021 First Six-month Period, the Group allocated HK$10.00 million for the investment in listed securities. The Group has appointed related professional for the management of the investment portfolio.

For the 2021 First Six-month Period, the Group recorded net losses on dealings in financial asset at fair value through profit or loss held for trading of HK$1.52 million and net fair value gains on financial assets at fair value through profit or loss held for trading of HK$0.22 million.

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to HK$387.98 million as at 30 June 2021 as compared to HK$502.12 million as at 31 December 2020. The decrease in cash and cash equivalents was primarily due to the change in working capital. Bank borrowings amounted to HK$277.55 million as at 30 June 2021 as compared to HK$269.69 million as at 31 December 2020. The Group's bank borrowings mainly bear interest at floating rates. The Group's total bank borrowings as at 30 June 2021 amounted to HK$277.55 million (100.0%) is payable within one year or on demand.

The Group's cash and bank balances are mainly denominated in Hong Kong dollars and Renminbi, while the Group's bank borrowings were all denominated in Hong Kong dollars. 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 2021. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' fund, was 17.8% as at 30 June 2021 as compared to 17.0% as at 31 December 2020. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.69 times as at 30 June 2021 as compared to 1.75 times as at 31 December 2020.

For the 2021 First Six-month Period, the inventory turnover days[1] were 56 days as compared to 56 days for the 2020 First Six-month Period. The trade and bills receivables turnover days[2] for the 2021 First Six-month Period were 173 days as compared to 199 days for the 2020 First Six-month Period. The decrease in the trade and bills receivables turnover days was primarily due to the improvement in sales revenue and the reduction of deferral settlement by customers.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2021 was HK$1,556.76 million as compared to HK$1,584.67 million as at 31 December 2020. Net asset value per share as at 30 June 2021 was HK$0.89 as compared to HK$0.91 as at 31 December 2020. Shareholders' funds per share as at 30 June 2021 was HK$0.82 as compared to HK$0.83 as at 31 December 2020. 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

As at 30 June 2021, there was no utilised banking facilities granted to various subsidiaries subject to guarantees given by the Company, as compared to HK$8.60 million as at 31 December 2020.

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of HK$485.85 million as at 30 June 2021 (31 December 2020: HK$473.85 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities and bills payables. As at 30 June 2021, the total outstanding secured bank borrowings amounted to HK$227.55 million as compared to HK$219.69 million as at 31 December 2020, lease liabilities amounted to HK$0.08 million as at 30 June 2021 as compared to HK$0.30 million as at 31 December 2020, and bills payables amounted to HK$26.63 million as at 30 June 2021 as compared to HK$8.60 million as at 31 December 2020.

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 (30 June 2020: 182 days).

2. The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 181 days (30 June 2020: 182 days).

STAFF

As at 30 June 2021, the Group employed a total of 813 employees, as compared to 802 employees as at 30 June 2020. Staff costs (excluding directors' emoluments) amounted to HK$68.78 million for the 2021 First Six-month Period as compared to HK$65.84 million for the 2020 First Six-month Period. The Group's staff remuneration and benefit system remains competitive.

BUSINESS OUTLOOK

In the second half of 2021, it is expected that the spread of the COVID-19 would be slowing down, but the delta variant of the COVID-19 (the "Delta variant") is transmitting quickly internationally . The global outlook remained challenging as the ultrafast transmission of the Delta variant poses difficult decisions on the balance of the policies on economic recovery and the social and public health. Different countries have different policy objectives that could also affect the progress of economic recovery.

Since late July 2021, the continued economic recovery in several provinces in Mainland China has been affected by the Delta variant. Majority of the PRC cities have not yet imposed any lock-down measures, but the local transportation to certain PRC cities or municipalities have been affected because of the increasing number of confirmed cases of Delta variant. Chinese authorities continued to act quickly with major cities launching mass testing, limiting public transport in high-risk areas and shutting down entertainment venues. Furthermore, the local health departments in Mainland China have tightened health protection measures as well as social distance requirements once confirmed cases of Delta variant are identified.

The Group has taken various measures and precautions to ensure a safe and healthy working environment so as to minimise the risk of spreading the COVID-19. The Group has reduced business travel and requested that meetings with customers and suppliers be conducted online. Additionally, the Group will also do all it can to prevent the Delta variant and train employees all around so as to ensure a safe production that can brace the sustainable development of its business.

On the economic recovery of Mainland China in the first half of 2021, the GDP growth for the primary, secondary and tertiary industries were 7.8%, 14.8% and 11.8%, respectively. In the second half of 2021, the CPM Group expects the development of the paint and coating industry (which is in the secondary industry) to remain steady, despite that continuous tensions between China and the United States, international foreign exchange fluctuations, increasing business competition have all made the business environment of paint and coating industries become increasingly challenging. As far as raw materials are concerned, the CPM Group anticipates that raw materials price of chemical products, which are being used in paint and coating industries, will continue to increase as a result of the increase in the crude oil prices and the strong manufacturing demand.

Although the amount of loss of the CPM Group for the 2021 First Six-month Period was less than the loss for the 2020 First Six-month Period, the CPM Group recognises the importance of continuous improvements in its business operations. The CPM Group believes that the core business initiatives, including adopting appropriate pricing strategies for paint and coating products, improving the procurement and sourcing processes and optimising the product mix and production distribution channels of the CPM Group, remain effective and necessary. In addition, the CPM Group will explore OEM (Original Equipment Manufacturers) collaborations with paint and coating manufacturers to increase its market share in Mainland China, extend geographical sales in the PRC and expand its customer base.

Looking ahead, the CPM Group will remain vigilant and be ready to respond to further deterioration in the paint and coating industry in Mainland China and Hong Kong. The CPM Group will continue to improve the quality of its paint and coating product production facilities and capacity to ensure a reliable, adequate and quality supply. The COVID-19 also created opportunities and threats 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 and coating business in Mainland China. 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 the opportunities that may arise in this uniquely challenging period.

As at 30 June 2021, the amount of the unutilised amount of the net proceeds from the Global Offering (as defined in the prospectus of the CPM Group dated 19 June 2017) amounted to HK$17.90 million which is expected to be fully utilised by 30 June 2022. This unutilised net proceeds would be used for the establishment of a new product research and development centre in Shenzhen (the "New R&D Centre"). The directors of the CPM Group confirm that such usage has not been changed, but the expected date of commencement of the New R&D Centre would depend on the continuous development of the economy of Mainland China. In turn, this would depend on (i) whether the COVID-19 is under control with vaccination; (ii) resumption of normal cross-border and business activities between Hong Kong and Mainland China; and (iii) relaxation of the quarantine restrictions in parts of Mainland China. These factors affect the economic situation in Mainland China and the commercial viability of the proposed establishment of the New R&D Centre in Mainland China.

In Hong Kong, the vaccine-driven economic recovery is expected to continue in the second half of 2021. The unemployment rate is expected to reduce, and the Hong Kong economy is recovering gradually. The interest rates would still be at a low level which would provide strong support for the property market in Hong Kong.

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

The Chinese government aims to maintain a stable real estate market. Mainland China remains rigorous in its policies emphasising that "housing must be for accommodation, not speculation". In Mainland China, the government's policy on balancing supply and demand is expected to continue to shape the market and thereby accelerate the establishment of a long-term stable and healthy development mechanism. The Group remains cautiously optimistic about the steady and healthy growth of Mainland China real estate market. Therefore, the management of the Group will continue to explore additional investment properties despite a challenging economic climate.

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 period under review. The Board has not yet authorised any plan for other material investments or additions of capital assets.

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 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except that the non-executive Directors 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.

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 2021.

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, 27 August 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.