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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 2024 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	
	(Unaudited)	(Unaudited)	Change
Results	**HK$'000**	HK$'000	%
Revenue	**161,111**	256,288	-37.1
Gross profit	**66,334**	81,222	-18.3
Gross profit margin	**41.2%**	31.7%	30.0
Loss for the period	**(16,868)**	(6,033)	179.6
Loss attributable to:			
Shareholders of the Company	**(13,462)**	(3,315)	306.1
Non-controlling interests	**(3,406)**	(2,718)	25.3
Loss per share (HK cents)			
Basic and diluted	**(0.71)**	(0.17)	-317.6

	As at 30 June 2024	As at 31 December 2023	
	(Unaudited)	(Audited)	Change
Financial Position	**HK$'000**	HK$'000	%
Cash and cash equivalents and pledged deposits	**325,009**	359,386	-9.6
Bank borrowings	**163,118**	171,450	-4.9
Gearing ratio	**12.6%**	13.0%	-3.1
Net asset value per share (HK$)	**0.74**	0.76	-2.6
Shareholders' funds per share (HK$)	**0.68**	0.70	-2.9

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 2024 together with comparative amounts for the corresponding period in 2023. 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 2024

	Notes	Six months ended 30 June **2024** **(Unaudited)** **HK$'000**	 2023 (Unaudited) HK$'000
REVENUE	3	**161,111**	256,288
Cost of sales		**(94,777)**	(175,066)
Gross profit		**66,334**	81,222
Other income and gains, net	3	**11,800**	7,627
Selling and distribution expenses		**(28,873)**	(34,455)
Administrative expenses		**(46,046)**	(56,171)
Other expenses, net		**(6,028)**	(9,145)
Fair value (losses)/gains on investment properties, net	10	**(11,632)**	12,834
Finance costs	4	**(3,692)**	(6,509)
Share of profits and losses of an associate		**1,021**	1,112
LOSS BEFORE TAX	5	**(17,116)**	(3,485)
Income tax credit/(expenses)	6	**248**	(2,548)
LOSS FOR THE PERIOD		**(16,868)**	(6,033)
ATTRIBUTABLE TO:			
Owners of the parent		**(13,462)**	(3,315)
Non-controlling interests		**(3,406)**	(2,718)
		(16,868)	(6,033)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		**HK(0.71) cents**	HK(0.17) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(16,868)**	(6,033)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(18,082)**	(42,278)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**–**	7,406
Income tax effect	**–**	(1,851)
	–	5,555
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(18,082)**	(36,723)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(34,950)**	(42,756)
ATTRIBUTABLE TO:		
Owners of the parent	**(28,176)**	(33,205)
Non-controlling interest	**(6,774)**	(9,551)
	(34,950)	(42,756)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 (Unaudited) HK$'000**	31 December 2023 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**409,319**	425,520
Investment properties	10	**753,706**	772,933
Property under development		**28,000**	28,000
Right-of-use assets		**48,340**	51,811
Interest in an associate		**2,683**	2,572
Equity investments designated at fair value through other comprehensive income		**34,011**	34,011
Deposits for purchases of property, plant and equipment		**4,079**	4,185
Deposits and prepayments		**479**	764
Deferred tax assets		**19,292**	19,715
Total non-current assets		**1,299,909**	1,339,511
CURRENT ASSETS			
Inventories		**24,486**	27,353
Trade and bills receivables	11	**139,497**	173,707
Prepayments, deposits and other receivables		**54,787**	55,476
Pledged deposits		**37,163**	98,994
Cash and cash equivalents		**287,846**	260,392
Total current assets		**543,779**	615,922
CURRENT LIABILITIES			
Trade and bills payables	12	**140,596**	195,523
Other payables and accruals		**52,703**	60,976
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**163,118**	171,450
Lease liabilities		**2,520**	3,579
Tax payable		**10,211**	11,299
Total current liabilities		**371,948**	445,627
NET CURRENT ASSETS		**171,831**	170,295
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,471,740**	1,509,806

	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**3,044**	3,867
Deferred tax liabilities	**54,706**	56,363
Deferred income	**190**	335
Deposits received	**4,481**	5,181
Total non-current liabilities	**62,421**	65,746
Net assets	**1,409,319**	1,444,060
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,104,754**	1,132,930
	1,295,123	1,323,299
Non-controlling interests	**114,196**	120,761
Total equity	**1,409,319**	1,444,060

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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 unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangement*

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any significant impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in it own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the 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 through CPM Group Limited (the "CPM", together with its subsidiaries collectively as the "CPM Group");

(b) the property investment segment comprises:

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

(ii) the development and sale of properties;

(c) the hotel business; and

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

The chief operating decision-maker regularly reviews the operating results of the operating segments of the Group separately for the purposes 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 profit/loss before tax of the Group 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 2024	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Hotel business (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment revenue					
Sales to external customers	**137,044**	**18,863**	**5,204**	**–**	**161,111**
Intersegment sales	**–**	**1,299**	**–**	**–**	**1,299**
Other revenue and gains, net	**2,106**	**304**	**–**	**6,142**	**8,552**
	139,150	**20,466**	**5,204**	**6,142**	**170,962**
Reconciliation:					
Elimination of intersegment sales					**(1,299)**
Total					**169,663**
Segment results	**(19,296)**	**5,084**	**123**	**9,354**	**(4,735)**
Reconciliation:					
Elimination of intersegment results					**(3,135)**
Interest income					**3,248**
Finance costs					**(3,692)**
Corporate and other unallocated expenses					**(8,802)**
Loss before tax					**(17,116)**

Six months ended 30 June 2023	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue					
Sales to external customers	233,886	17,599	4,803	–	256,288
Intersegment sales	–	1,616	–	–	1,616
Other revenue and gains, net	3,595	12,834	–	452	16,881
	237,481	32,049	4,803	452	274,785
Reconciliation:					
Elimination of intersegment sales					(1,616)
Total					273,169
Segment results	(15,251)	28,167	(527)	(2,074)	10,315
Reconciliation:					
Elimination of intersegment results					(399)
Interest income					3,580
Finance costs					(6,509)
Corporate and other unallocated expenses					(10,472)
Loss before tax					(3,485)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023.

As at 30 June 2024	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Hotel business (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment assets	**527,988**	**872,693**	**278,364**	**37,789**	**1,716,834**
Reconciliation:					
Corporate and other unallocated assets					**206,509**
Elimination of inter-company receivables					**(79,655)**
Total assets					**1,843,688**
Segment liabilities	**393,355**	**108,591**	**7,249**	**2,761**	**511,956**
Reconciliation:					
Corporate and other unallocated liabilities					**2,068**
Elimination of inter-company payables					**(79,655)**
Total liabilities					**434,369**

As at 31 December 2023	Paint products (Audited) HK$'000	Property investment (Audited) HK$'000	Hotel business (Audited) HK$'000	Others (Audited) HK$'000	Total (Audited) HK$'000
Segment assets	639,424	905,608	280,940	54,213	1,880,185
Reconciliation:					
Corporate and other unallocated assets					171,759
Elimination of inter-company receivables					(96,511)
Total assets					1,955,433
Segment liabilities	482,024	111,852	7,474	2,641	603,991
Reconciliation:					
Corporate and other unallocated liabilities					3,893
Elimination of inter-company payables					(96,511)
Total liabilities					511,373

Six months ended 30 June 2024	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Hotel business (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment capital expenditure					
Capital expenditure	**42**	**1**	**–**	**30**	**73***

Six months ended 30 June 2023	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment capital expenditure					
Capital expenditure	2,737	–	1	–	2,738*

* Capital expenditure consists of additions to property, plant and equipment.

During the six months ended 30 June 2024 and 2023, 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 month ended 30 June	
	2024 (Unaudited) HK$'000	2023 (Unaudited) HK$'000
Revenue from contracts with customers		
Sales of paint products	**137,044**	233,886
Hotel operation	**5,204**	4,803
Revenue from other sources		
Gross rental income from investment properties operating leases	**18,863**	17,599
	161,111	256,288

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024	**Paint products (Unaudited) HK$'000**	**Hotel business (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segments			
Types of goods or services			
Sale of industrial products	**137,044**	**–**	**137,044**
Hotel operation	**–**	**5,204**	**5,204**
Total revenue from contracts with customers	**137,044**	**5,204**	**142,248**
Geographical markets			
Hong Kong	**27,727**	**5,204**	**32,931**
Mainland China	**109,317**	**–**	**109,317**
Total revenue from contracts with customers	**137,044**	**5,204**	**142,248**
Timing of revenue recognition			
Goods transferred at a point in time	**137,044**	**–**	**137,044**
Service satisfied over time	**–**	**5,204**	**5,204**
Total revenue from contracts with customers	**137,044**	**5,204**	**142,248**

For the six months ended 30 June 2023	Paint products (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segments			
Types of goods or services			
Sale of industrial products	233,886	–	233,886
Hotel operation	–	4,803	4,803
Total revenue from contracts with customers	233,886	4,803	238,689
Geographical markets			
Hong Kong	32,031	4,803	36,834
Mainland China	201,855	–	201,855
Total revenue from contracts with customers	233,886	4,803	238,689
Timing of revenue recognition			
Goods transferred at a point in time	233,886	–	233,886
Service satisfied over time	–	4,803	4,803
Total revenue from contracts with customers	233,886	4,803	238,689

An analysis of the Group's other income and gains, net is as follows:

	Six month ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**3,248**	3,580
Dividend income from financial assets at fair value through profit or loss held for trading	**–**	8
Government grants*	**204**	520
Government subsidies^	**408**	2,415
Recognition of deferred income	**139**	145
Gain on disposal of items of property, plant and equipment, net	**50**	60
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**–**	(10)
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**–**	(139)
Recovery of defence costs from derivative action	**6,412**	–
Others	**1,339**	1,048
	11,800	7,627

* 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 2024, the tax authority granted to the CPM Group an Advanced Manufacturing Tax Credit Initiative amounting to HK$408,000 under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There are no unfulfilled conditions or contingencies relating to these government subsidies.

During the six months ended 30 June 2023, the PRC government granted subsidies of HK$2,399,000 for the removal of solvent production lines and solvent storage tanks in the production plant located in Hubei, Mainland China. Furthermore, a subsidy of HK$16,000 was granted for relocating the main factory entrances within the complex situated in Shanghai, Mainland China. There were no unfulfilled conditions or contingencies relating to these government subsidies.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six month ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**3,499**	6,284
Interest on lease liabilities	**193**	225
	3,692	6,509

5. LOSS BEFORE TAX

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

	Six month ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**94,777**	175,066
Depreciation of property, plant and equipment	**9,544**	13,164
Depreciation of right-of-use assets	**3,057**	3,361
Dividend income from financial assets at fair value through profit or loss held for trading*	**–**	(8)
Equity-settled share option expenses, net	**209**	1,224
Fair value losses on financial assets at fair value through profit or loss held for trading, net*	**–**	10
Fair value losses/(gains) on investment properties, net	**11,632**	(12,834)
Foreign exchange differences, net*	**555**	2,180
Gain on disposal of items of property, plant and equipment, net*	**(50)**	(60)
Net losses on dealings in financial assets at fair value through profit or loss held for trading*	**–**	139
Provision for impairment of trade and bills receivables, net*	**689**	1,672
Provision of inventories to net realisable value, net@	**291**	463
Staff termination cost*	**600**	–
Write-off of items of property, plant and equipment*	**2**	36

* 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 has sufficient tax losses brought forward to set off against assessable profits arising in Hong Kong during the period (six months ended 30 June 2023: 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 2023: 25%) during the period, except for the subsidiaries of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2023: 15%) had been applied during the period.

	Six month ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current – Elsewhere		
Charge for the period	**93**	95
Deferred	**(341)**	2,453
Total tax (credit)/charge for the period	**(248)**	2,548

The share of tax attributable to an associate amounting to HK$202,000 (six months ended 30 June 2023: HK$220,000) is included in "Share of profits and losses of an associate" in the unaudited condensed consolidated statement of profit or loss.

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

The calculation of the basic and diluted loss per share amount is based on the loss for the six months ended 30 June 2024 attributable to ordinary equity holders of the parent of HK$13,462,000 (six months ended 30 June 2023: HK$3,315,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2023: 1,903,685,690) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2024 and 30 June 2023 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment at costs of HK$73,000 (six months ended 30 June 2023: HK$2,738,000).

Items of property, plant and equipment with an aggregate net book value of HK$2 (six months ended 30 June 2023: HK$847,000) were disposed of by the Group during the six months ended 30 June 2024.

10. INVESTMENT PROPERTIES

	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
Carrying amount at the beginning of period/year	**772,933**	729,079
Fair value losses, net	**(11,632)**	(30,561)
Transfer from owner-occupied properties	**3,959**	45,047
Transfer from right-of-use assets	**–**	43,540
Exchange realignment	**(11,554)**	(14,172)
Carrying amount at the end of period/year	**753,706**	772,933

The Group's investment properties were revalued on 30 June 2024 based on valuations performed by BMI Appraisals Limited and Ascent Partners Valuation Service Limited, the independent professional qualified valuers. Fair values of the investment properties of the Group are generally derived by using the income capitalisation method, the market comparison approach and the depreciated replacement cost approach.

11. TRADE AND BILLS RECEIVABLES

The Group's trade receivables represent receivables arising from the leasing of investment properties and the sale of paint and coating 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 business 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 the 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 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
Within three months	**59,246**	65,801
Over three months and within six months	**15,291**	21,061
Over six months	**64,960**	86,845
	139,497	173,707

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 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
Within three months	**51,336**	71,790
Over three months and within six months	**30,264**	62,130
Over six months	**58,996**	61,603
	140,596	195,523

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2024, bills payables with an aggregate carrying amount of HK$83,427,000 (31 December 2023: HK$115,694,000) were secured by time deposits of HK$36,628,000 (31 December 2023: HK$98,117,000).

13. SHARE OPTION SCHEME

Share Option Schemes of the Company

The 2022 Scheme

A share option scheme (the "2022 Scheme") was adopted by the Company on 2 June 2022 pursuant to a resolution passed at the special general meeting of the Company held on the same date. Unless terminated by a resolution in a general meeting or by the Board, the 2022 Scheme remains valid and effective for the period of 10 years commencing on 2 June 2022, after which period no further options will be issued but, in all other aspects, the provisions of the 2022 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 28 April 2022.

The 2022 Scheme will expire on 1 June 2032. During the six months ended 30 June 2023 and 2024, no share options were granted under the 2022 Scheme.

Share Option Scheme of CPM

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of CPM of HK$0.10 each were granted to three directors of CPM and five employees of the CPM Group under the share option scheme (the "CPM Scheme") adopted by CPM on 4 June 2020 (the "Adoption Date"). The CPM Scheme was adopted by CPM for the purpose of providing incentives to attract and retain employees of the CPM Group, as well as other eligible participants (including, but not limited to, executive directors, non-executive directors and independent non-executive directors of CPM, any supplier of goods or services to any member of the CPM Group and any customer of the CPM Group) who made contributions to the CPM Group. Unless terminated by resolution in general meeting or by the board of directors of CPM, the CPM Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options will be issued but in all other respects, the provisions of the CPM Scheme shall remain in full force and effect. Further details are set out in the circular of CPM date 27 April 2020.

The equity-settled share options granted on 15 June 2022 vest over a period of 4 years from the date of grant, of which 50% of the share options vested immediately on the date of grant, 20% of the share options vested on 14 June 2023, 10% of the share options vested on 14 June 2024, 10% of the share options shall vest on 14 June 2025 and 10% of the share options shall vest on 14 June 2026. These share options are exercisable at HK$0.335 per share and must be exercised within 5 years from the date of grant, and if not so exercised, the share options shall lapse.

The following share options were outstanding under the CPM Scheme during the six months period ended 30 June 2024:

	2024 (Unaudited)		2023 (Unaudited)	
	Weighted average exercise price HK$ per share	**Number of share options**	Weighted average exercise price HK$ per share	Number of share options
At 1 January	**0.335**	**80,000,000**	0.335	80,000,000
Lapsed during the period	**0.335**	**(10,000,000)**		–
At 30 June	**0.335**	**70,000,000**	0.335	80,000,000
Vested and exercisable at 30 June	**0.335**	**56,000,000**	0.335	56,000,000

As one of the employees of CPM Group resigned during the six months ended 30 June 2024, all share options granted to that employee under the CPM Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the CPM Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2024.

In addition, none of the share options granted under the CPM Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2023.

No share options were granted under the CPM Scheme during the six months ended 30 June 2024 and 2023. The net share option expenses of approximately HK$209,000 were recognised by the CPM Group during the six months ended 30 June 2024 (six months ended 30 June 2023: HK$1,224,000).

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2024, the Group was engaged in three principal business segments, namely (a) investment property business; (b) hotel business; and (c) paint and coating business. The paint and coating business was conducted by CPM. Other than these three business segments, the Group also holds certain equity for investment purpose and owns a parcel of land in Yuen Long, Hong Kong for re-development.

BUSINESS REVIEW

During the six months ended 30 June 2024, the Group recorded a loss attributable to the shareholders of the Company of approximately HK$13.46 million, as compared to the same of approximately HK$3.32 million for the six months ended 30 June 2023. The loss incurred by the Group for the six months ended 30 June 2024 was primarily due to the significant net fair value losses of approximately HK$11.63 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 30 June 2024, as compared with the net fair value gains of approximately HK$12.83 million as at 30 June 2023.

Including the revenue generated by the CPM Group, the revenue of the Group during the six months ended 30 June 2024 was approximately HK$161.11 million, represented a decrease of 37.1% from HK$256.29 million for the six months ended 30 June 2023. The amount of gross profit of the Group for the six months ended 30 June 2024 was approximately HK$66.33 million, represented a decrease of 18.3% from HK$81.22 million for the six months ended 30 June 2023. The decrease in the gross profit of the Group was primarily due to the net off effect of the decline in sales revenue and the effective cost management and operational advancements of the CPM Group.

Furthermore, the Group achieved an adjusted profit of approximately HK$11.71 million for the six months ended 30 June 2024, as compared to the same of approximately HK$9.61 million for the six months ended 30 June 2023. This adjusted profit excluded various gains and expenses such as depreciation of property, plant and equipment, provision for impairment of trade and bills receivables, depreciation of right-of-use assets, share option expenses, net fair value gains/(losses) on investment properties, finance costs and income tax.

The revenue of the paint and coating business of the CPM Group accounted for 85.1% of the Group's revenue for the six months ended 30 June 2024, as compared to 91.3% of the same for the six months ended 30 June 2023.

INVESTMENT PROPERTY BUSINESS

Investment Properties

The revenue generated from the investment property business for the six months ended 30 June 2024 amounted to approximately HK$18.86 million as compared to approximately HK$17.60 million for the six months ended 30 June 2023. The increase in the amount of revenue was primarily due to the increase in the investment properties held by the CPM Group in the PRC.

The revenue generated from the investment properties held by the Group (excluding the CPM Group) and the CPM Group for the six months ended 30 June 2024 amounted to approximately HK$7.58 million (as compared to approximately HK$7.60 million for the six months ended 30 June 2023) and approximately HK$11.28 million (as compared to approximately HK$10.00 million for the six months ended 30 June 2023), respectively.

The investment property portfolio of the Group consists of 20 properties as at 30 June 2024 which remained no change when compared to 20 properties as at 31 December 2023. The gross floor area of the investment property portfolio includes properties with gross floor area of 1,014,178 square feet ("sq. ft.") as at 30 June 2024, as compared to 1,014,246 sq. ft. as at 31 December 2023. The variation in the gross floor area was principally due to the renewal of property certificates for the production plant of the CPM Group in Zhongshan, necessitating a remeasurement of the gross floor area by the local governmental authority. These investment properties included residential, commercial and industrial properties in Hong Kong and Mainland China and are held for the purposes of generating stable rental income and cash flows for long-term investment purposes.

The aggregate market value of the investment properties held by the Group amounted to approximately HK$753.71 million as at 30 June 2024 as compared to approximately HK$772.93 million as at 31 December 2023, including the investment properties held by the CPM Group, representing a decrease of 2.5% as compared to the same as at 31 December 2023. The decrease in the market value of the investment properties was primarily due to the record of the net fair value losses on investment properties of the Group as well as the depreciation of Renminbi as at 30 June 2024.

The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 30 June 2024 amounted to approximately HK$444.91 million (as compared to approximately HK$463.84 million as at 31 December 2023) and approximately HK$308.80 million (as compared to approximately HK$309.09 million as at 31 December 2023), respectively.

The average occupancy rate for the investment properties of the Group for the six months ended 30 June 2024 was 93.6%, as compared to 93.2% for the six months ended 30 June 2023.

The increase in the occupancy rate was primarily due to the leasing of the production plants located in Mainland China by the CPM Group to independent third parties. The recorded gross rental income (including inter-group rental income) increased to approximately HK$20.16 million for the six months ended 30 June 2024 as compared to approximately HK$19.22 million for the six months ended 30 June 2023.

The segmental profit for the six months ended 30 June 2024 amounted to approximately HK$5.08 million, as compared to approximately HK$28.17 million for the six months ended 30 June 2023.

The significant decrease in the segmental profit was primarily due to the significant net fair value losses of approximately HK$11.63 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 30 June 2024, as compared with the net fair value gains of approximately HK$12.83 million as at 30 June 2023. The net fair value losses for the six months ended 30 June 2024 was generally consistent with the continuous unfavourable property market conditions in Hong Kong and Mainland China.

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

An application was submitted on 30 September 2021 by Joyous Cheer Limited, a wholly-owned subsidiary of the Company, pursuant to Section 16 of the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong), for seeking the permission from the Town Planning Board (the "TPB") for (a) proposed conservation of historic building (being the preservation of Pun Uk 潘屋); (b) proposed construction of a recreation, sports or cultural centre (being the design to include an art/antique gallery and the development of heritage education); and (c) proposed construction of certain social welfare facility (which include the operation of residential care homes for the elderly (the "RCHE")) with ancillary catering facility on the land at Au Tau, Yuen Long (the "Au Tau Land") owned by the Group.

The Au Tau Land covers a site area of about 3,663.9 square meters and is currently occupied by Pun Uk, which is a Grade 1 historical building built in the 1930s.

Due to the heritage value of Pun Uk, any redevelopment on the Au Tau Land will have to include the preservation of Pun Uk, the promotion of the heritage value and the achievement of a commercial project that can generate reasonable economic return and prosperity.

In August 2022, the Rural and New Town Planning Committee of the TPB approved the Group's application for the redevelopment of the Au Tau Land with permission on (a) the preservation of Pun Uk; (b) the construction of a place of recreation, sports or cultural centre; and (c) the construction of an elderly home that has around 530 beds and other related facilities (collectively, the "Re-development Project"). The permission is valid for four years until August 2026.

Pursuant to the Re-development Project, there will be three non-domestic buildings comprising the existing Pun Uk and two new buildings to be constructed as RCHE. The north building of the proposed RCHE will have six storeys, i.e. basement, 1/F to 6/F, whereas the south building will have five storeys, i.e. 1/F to 5/F. Essential functional areas/facilities, such as administrative office, dining area, staff room and other supporting facilities would be provided and developed at the detailed design stage. Car parking spaces will also be included in the re-development design.

The Group is actively exploring different options available for the Re-development Project. Based on the current financial position of the Group and its business focus and expertise, the Directors are of the preliminary view that the Re-development Project may be disposed of to the independent third parties. The Directors are also of the view the disposal may be the most viable option which is in the best interest of the Company and the shareholders of the Company as a whole.

HOTEL BUSINESS

Since December 2021, the Group has engaged a hotel operator (the "Operator") to manage and operate the hotel under the brand name of "J Link Hotel". The Operator is an experienced hotel operator for small to medium-sized hotels.

During the six months ended 30 June 2024, the average number of available room nights was 77 and the occupancy rate was approximately 95%. The gross revenue from the hotel business for the six months ended 30 June 2024 amounted to approximately HK$5.20 million, as compared to approximately HK$4.80 million for the six months ended 30 June 2023. Segmental profit for the six months ended 30 June 2024 amounted to approximately HK$0.12 million, as compared to segmental loss approximately HK$0.53 million for the six months ended 30 June 2023.

The J Link Hotel aims to attract short-haul travellers from Mainland China as well as overseas. The Directors believe that the room occupancy will be keeping at high level while the average room rates will continue to improve with the support of the launch of "Hello Hong Kong" large-scale global promotional campaign by the Government since the early of 2024.

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the results announcement of CPM for the six months ended 30 June 2024 and the following information on the paint and coating business is extracted for ease of reference.

General Background

For the paint and coating business, the products of the CPM Group 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 furniture painting, manufacturing and surface finishing for different kinds of materials used by furniture manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall painting, floor coating and decorating of the wall surface of buildings. The architectural paint and coating products of the CPM Group are sold to customers in the construction and maintenance markets for the commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels and anti-mold agents and solvent agents, are used for both architectural and industrial purposes.

The following sets forth an analysis of the revenue of the CPM Group from the sales of the paint and coating products (the "Paint Sales") for the six months ended 30 June 2024 (with comparative figures for the six months ended 30 June 2023):

	Six months ended 30 June				
	2024		2023		% of net
	HK$'000	**%**	HK$'000	%	change
Industrial paint and coating products	**64,904**	**47.4**	79,061	33.8	-17.9
Architectural paint and coating products	**35,217**	**25.7**	100,603	43.0	-65.0
General paint and coating and ancillary products	**36,923**	**26.9**	54,222	23.2	-31.9
	137,044	**100.0**	233,886	100.0	-41.4

The CPM Group continues to focus on Mainland China market which contributed to approximately 79.8% (2023: approximately 86.3%) of the total revenue generated from the Paint Sales in 2024.

Segmental Results

Revenue from paint and coating products

The revenue of the CPM Group from the Paint Sales for the six months ended 30 June 2024 amounted to approximately HK$137.04 million, representing a significant decrease of 41.4% as compared to approximately HK$233.89 million for the six months ended 30 June 2023.

Significant decrease in the Paint Sales to the property developers and their contractors working for private residential property projects in Mainland China

For the six months ended 30 June 2024, the Paint Sales to property developers and their contractors working for private residential property projects in Mainland China amounted to HK$6.54 million, representing a decrease of 87.9%, as compared to HK$54.01 million recorded during the same period in 2023. According to the data of National Bureau of Statistics of China (the "NBSC"), there was a substantial decline in residential property activities in the first half of 2024: cumulative construction areas decreased by 12.0%, newly started construction areas fell by 23.8%, and completed construction areas dropped by 21.8% in comparison to the first half of 2023.

This marked reduction in the Paint Sales was primarily attributed to the adverse market conditions in private residential property sector in Mainland China, characterised by a significant decline in property prices, as compared to the first half of 2023. New private residential prices decreased within a range of 1.2% to 4.9%, while the value of second-hand properties fell within a range of 4.4% to 7.9%. Consequently, property developers in Mainland China scaled back the ongoing projects and reduced investments, leading to a notable decline in the Paint Sales of the CPM Group.

Significant decrease in the Paint Sales to the industrial manufacturers in Mainland China

For the six months ended 30 June 2024, the Paint Sales to the industrial manufacturers in Mainland China significantly decreased by 31.1% or HK$17.63 million, as compared to the same period in 2023. This significant decline was primarily due to intensified competition within the paint and coating industry. The rapid expansion of real estate sector in Mainland China prompted the implementation of certain policies by the Chinese government to curb excessive leverage and mitigate financial risks associated with a potential housing bubble.

Since 2020, the Chinese government has introduced new policy to monitor and manage loan regulations for the real estate aiming to lower the high debt ratio of real estate enterprises. Even though the restrictions on borrowing for property developers have been eased, downward macroeconomic pressures, along with a sluggish real estate market, compelled paint and coating manufacturers to diversify their business portfolios more extensively. As a result, these companies expanded into industrial paint and coating categories, and are broadening their operational scope.

Moreover, the competitive environment was further intensified by the adoption of new machinery and equipment aimed at improving productivity. This advancement boosted utilisation rates and production volumes, increasing competition among businesses in subcontracting processes, metal products, industrial machinery, and plastic toys sectors. According to the information released by the NBSC, industrial capacity utilisation in the manufacturing sector slightly decreased by 0.2% in the first half of 2024, representing an improvement as compared to 1.0% decline during the same period in 2023. Despite the overall decline, production volumes for specific categories, such as metal products, recorded notable increases.

Significant decrease in the Paint Sales to the wholesale and retail distributors in Mainland China

For the six months ended 30 June 2024, the Paint Sales to wholesale and retail distributors in Mainland China significantly decreased by 31.3% to approximately HK$49.26 million, as compared to HK$71.73 million in the same period in 2023. This significant decline was primarily driven by intense competition within the paint and coating industry in Mainland China.

In recent years, many paint and coating manufacturers have expanded their production capacities, resulting in increased market supply. Concurrently, the Chinese government implemented policies to curb leverage among property developers so as to mitigate financial risks and stabilise the housing market. These measures led to a sluggish real estate market, causing the property developers to slow their land acquisitions for new projects, resulting in the reduction in demand of architectural paint and coating products, of which accounted for approximately 60.0% of the industry's sales in Mainland China. Despite this decrease in demand, production capacities continued to rise, creating market oversupply. In response to the competitive pressures, some manufacturers have resorted to aggressive discounting strategies to boost sales and maintain utilisation rates of both new and existing production capacities. Additionally, many manufacturers significantly increased their promotional and advertising expenditures during the first half of 2024 to capture market share. These strategies resulted in sacrificing net profit margins in order to attract more sales.

Decrease in the Paint Sales to the wholesale and retail distributors in Hong Kong

For the six months ended 30 June 2024, the Paint Sales to the wholesale and retail distributors in Hong Kong decreased by 12.5% or HK$3.38 million as compared to the six months ended 30 June 2023. This decline was primarily attributable to the altered pattern of property transactions in the Land Registry observed during the period. The number of property transactions increased by 0.8% in total, with a 33.7% decrease in the first quarter of 2024, followed by a 42.2% increase in the second quarter, as compared to the same period in 2023 based on the information of the Land Registry. The decline in the Paint Sales might have been caused by the surge in property transactions during the second quarter of 2024, leading to the deferment of decoration, repair, and maintenance works.

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. Generally speaking, prices of such raw materials are directly or indirectly affected by crude oil prices. Despite a 6.5% increase in crude oil prices per barrel, which ranged between US$74 and US$85 per barrel during the six months ended 30 June 2024 as compared to a range of US$70 to US$79 per barrel for the six months ended 30 June 2023, the CPM Group successfully managed costs through stringent measures. These measures included careful oversight of raw materials cost, operational manufacturing costs and depreciation. Consequently, the cost of sales for the six months ended 30 June 2024 decreased by 47.1%, surpassing the 41.4% decline in the sales when compared to the corresponding period ended 30 June 2023. Furthermore, there was a significant reduction of 15.7% in the proportion of raw materials cost to the sales, decreasing to 53.3% from 63.2% for the corresponding period ended 30 June 2023.

Gross Profit Margin and Gross Profit of the Paint and Coating Products of the CPM Group

As mentioned above, the paint and coating industry experienced fluctuations in raw material prices due to the surge in crude oil prices, along with the controlled adjustment of raw material prices by the Chinese government since October 2022. During the six months ended 30 June 2024, the CPM Group achieved a gross profit margin of 34.2%, representing a substantial increase by 26.2% from the 27.1% recorded for the corresponding period in 2023. The improvement was primarily attributable to the effective raw materials cost management, alongside the implementation of continuous business revamp measures and initiatives (the “Business Revamp Measures and Initiatives”) aimed at enhancing gross profit margins and operational efficiency. These initiatives involved the optimisation of manufacturing operations and the elevation of utilisation rates at the CPM Group’s production facilities. Despite a 41.4% decline in the Paint Sales, gross profit from the Paint Sales showed a 26.1% reduction or HK$16.52 million as compared to the six months ended 30 June 2023. Thus, the combined impact of cost management and operational advancements more than offset the 41.4% sales decline, resulting in a remarkable increase in the gross profit margin.

Selling and Distribution Expenses and Administrative Expenses

Selling and distribution expenses decreased by 16.9% to HK$28.99 million for the six months ended 30 June 2024, as compared to HK$34.88 million for the six months ended 30 June 2023. Such decrease was attributed to (i) a reduction of HK$3.69 million in transportation costs as a result of the decrease in the Paint Sales; (ii) a reduction of HK$5.08 million in staff costs resulting from the redistribution of responsibilities, modification and adjustment on performance-based incentives; and (iii) cost savings of HK$2.66 million associated with the selling and distribution expenses of the CPM Group for the six months ended 30 June 2024. Nonetheless, these improvements were offset by the increase of HK$5.54 million in legal and professional fees in relation to the legal action for collection of the aged trade and bills receivables.

Administration expenses decreased by 17.2% to HK$34.83 million for the six months ended 30 June 2024, as compared to the same of HK$42.07 million for the six months ended 30 June 2023. This reduction is predominantly attributable to the implementation of cost-saving measures during the final phase of the integration of production facilities in Mainland China in 2023. Specific reductions in administrative expenses include the following: a reduction of HK$2.69 million in staff costs, a reduction of HK$2.07 million in depreciation, a reduction of HK$2.48 million in other operating expenses, and additional cost-saving initiatives during the six months ended 30 June 2024.

OTHER BUSINESSES

Equity Investments Designated at Fair Value Through Other Comprehensive Income

The Group owns 12.5% equity interest in Profitable Industries Limited ("Profitable Industries"), an investment holding company, which is in turn engaged in a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, Mainland China. The Cemetery is operated under the name of "Fortune Wealth Memorial Park" which is focused on the development, construction, management and operation of a cemetery. The Cemetery offers grave lots, ordinary columbarium niches and luxury columbarium niches. The other shareholder of Profitable Industries is Chuang's China Investments Limited ("Chuang's China"), a company listed on The Stock Exchange of Hong Kong Limited (stock code: 298). As a minority shareholder of Profitable Industries, the Group has not participated in the management of the Cemetery and is a passive minority shareholder of Profitable Industries.

As disclosed in the annual report of Chuang's China for the year ended 31 March 2024, the Fortune Wealth Memorial Park operates a cemetery in Sihui with a site area of approximately 518 mu agreed by the local government authorities. 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. Based on the revised master layout plan of Phase II to Phase V, about 36,726 grave plots will be constructed covering land area of 268 mu and 150 mu of road access and greenbelts. For Phase II to Phase III, land use rights of approximately 143 mu had been obtained, which will accommodate a total of about 22,212 grave plots. For Phase IV to Phase V, land use rights of approximately 5.2 mu had been obtained and additional land quota of about 119.8 mu shall be required for the construction of a total of about 14,514 grave plots. As for the 150 mu of road access and greenbelts, Fortune Wealth will ascertain the arrangement required by the local authorities. During the year under review, the construction of roads for Phase II and Phase III has commenced. Site formation and construction works are in progress on parts of the land.

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

FINANCIAL REVIEW

Liquidity and Financial Information

The business operation of the Group is principally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to approximately HK$287.85 million as at 30 June 2024 as compared to approximately HK$260.39 million as at 31 December 2023. The increase in the balance of cash and cash equivalents was primarily due to the change in working capital. The total cash and bank balances, including pledge deposits, amounted to approximately HK$325.01 million as at 30 June 2024 as compared to approximately HK$359.39 million as at 31 December 2023.

Bank borrowings amounted to approximately HK$163.12 million as at 30 June 2024 as compared to approximately HK$171.45 million as at 31 December 2023. The bank borrowings of the Group mainly bear interest at floating rates. The total bank borrowings of the Group as at 30 June 2024 amounted to approximately HK$163.12 million (100.0%) was payable within one year. The cash and bank balances and bank borrowings of the Group are mainly denominated in Hong Kong dollars and Renminbi. The results of the Group 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 2024. 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' funds, was 12.6% as at 30 June 2024 as compared to 13.0% as at 31 December 2023. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.46 times as at 30 June 2024 as compared to 1.38 times as at 31 December 2023.

For six months ended 30 June 2024, the inventory turnover days[1] were 47 days as compared to 30 days for the six months ended 30 June 2023. The trade and bills receivables turnover days[2] for the six months ended 30 June 2024 were 158 days as compared to 211 days for the six months ended 30 June 2023. The decrease was primarily due to the substantial provision for impairment of trade and bills receivable was made as at 31 December 2023.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 182 days (30 June 2023: 181 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 182 days (30 June 2023: 181 days).

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2024 was approximately HK$1,295.12 million (31 December 2023: approximately HK$1,323.30 million). Shareholders' funds per share as at 30 June 2024 was HK$0.68 (31 December 2023: HK$0.70). Net asset value per share as at 30 June 2024 was HK$0.74 (31 December 2023: HK$0.76). 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 2024 and 31 December 2023, no bank facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised.

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of approximately HK$533.67 million as at 30 June 2024, as compared to approximately HK$553.11 million as at 31 December 2023, were pledged as collaterals for bank borrowings, lease liabilities, and bills payable and performance bonds.

As at 30 June 2024, the total outstanding secured bank borrowings amounted to approximately HK$139.12 million as compared to approximately HK$131.01 million as at 31 December 2023, lease liabilities amounted to approximately HK$0.05 million as at 30 June 2024 as compared to approximately HK$0.06 million as at 31 December 2023, and bills payable amounted to approximately HK$83.43 million as at 30 June 2024 as compared to approximately HK$115.69 million as at 31 December 2023.

STAFF

As at 30 June 2024, the Group employed a total of 514 employees, as compared to 551 employees as at 30 June 2023. Staff costs (excluding directors' emoluments) amounted to approximately HK$43.39 million for the six months ended 30 June 2024 as compared to approximately HK$55.50 million for the six months ended 30 June 2023. 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.

BUSINESS OUTLOOK

Looking forward, the global environment will continue to be complicated and uncertain. The global economic growth will continue to slow down as it is highly sensitive to the US interest rate pivot, trade tensions and geopolitical risks.

The economy of Mainland China still faces challenges such as the continued downturn in real estate, insufficient effective demand, and weak social expectations. The liquidity challenges faced by some leading property developers in the PRC would continue and hence dampen the market sentiment. The Chinese government is expected to introduce more supportive policies to further boost domestic consumption and economic growth.

The current challenging market conditions are likely to persist without major changes for the rest of the year. The market expects a slowdown in both US economic growth and inflation and the market generally expects the US interest rate cut cycle to commence in September 2024 though the interest rates in Hong Kong will remain at a high level in the second half of the year.

Slow recovery in inbound tourism with persistently high financing costs and an uncertain geopolitical environment continued to set the scene for the second half of 2024.

The CPM Group will proactively address market fluctuations driven by external environmental changes, insufficient domestic demand, and a challenging economic landscape through the Business Revamp Measures and Initiatives. The CPM Group commits to providing high-quality paint and coating products to customers, offering superior after-sales services, and avoiding homogenised products and involution competitions. These approaches are critical to navigating the unique dynamics of paint and coatings industry in Mainland China. Despite substantial sales revenue, the industry lags in profitability and gross profit margins compared to international peers. Although production volume is expected to grow by 6.0% in 2024, the sector faces reduced demand due to lower property completion rates. The rapid expansion of production capacity by numerous paint and coating manufacturers in Mainland China has resulted in significant market saturation and intense competition. These factors have led to severe price pressures and operational difficulties, causing many small and medium-sized manufacturers to exit the market.

Intense competition and legal and professional fees adversely affected the overall performance of the CPM Group in the first half of 2024. In response, the CPM Group continued to implement the Business Revamp Measures and Initiatives to enhance profitability. A thorough assessment of working capital requirements was conducted so as to enable more efficient resource allocation. Prioritising the repayment of high-interest borrowings was one of the key strategies, aimed at reducing finance costs and improving liquidity. The results of these efforts are evident in the significant 11.4% reduction in the bank and other borrowings, indicating an improvement of financial health. Cost-saving initiatives and working capital optimisation played one of integral roles in strengthening the CPM Group's financial position. Moving forward, the CPM Group is committed to exploring various alternatives to further strengthen its financial position, improve financial performance, enhance net cash flows and increase net current liquidity.

Against this backdrop, the CPM Group perseveres in optimising the Business Revamp Measures and Initiatives. The objectives are twofold: (a) to enrich the product portfolio and ensure competitiveness; and (b) to enhance operational efficiency and cost reductions. The CPM Group remains cautious to its business as it adopts a prudent approach to risk management.

The Directors notice that the property leasing markets will continue to be unfavourable in the second half of 2024. The defaulting debts of the property developers in Mainland China further delay the prospect and the recovery of both the property market and the Mainland China economy. The regulatory bodies of Mainland China have implemented a series of policies to support the property market, including mortgage rates cuts, reducing restrictions on home transactions, and lowering the reserve requirement ratio. The measures were intended to help property developers and stabilise the market. However, the market rents in the Mainland China have been under pressure because of the cost controlling measures taken by corporate tenants to enhance efficiency, as well as the increase in market supply.

For the property leasing market in Hong Kong, the commercial real estate market faces global economic headwinds, including high level of interest rates, Mainland China's economic recovery and geopolitical tensions, with overall commercial real estate demand weakening in 2024. Investors and tenants remain prudent, leading to continued growth in various industries with limited demand. Hence, most companies regard cost optimisation as the top priority for enterprise development. Companies abandon office expansion plans or start saving costs. Reducing the area of office buildings, relocating to sub-core areas and renegotiating overall lease contracts with owners have become the most important strategic implementation plans. The work-from-home trend continues, the demand for office space in Hong Kong would be likely to decrease, and would affect the rental rates. Small and medium-sized businesses and co-working spaces, however, continue to use physical setups.

Both property leasing markets in Mainland China and Hong Kong is challenging, the Group's rental portfolio may face downward adjustment pressure upon renewal of respective tenancy agreements. Nevertheless, the Group will closely monitor the market situation and proactively respond to the market changes.

The Group will constantly review its investment property portfolio and will act prudently in making any decision on the acquisition of investment properties for the purpose of generating a recurring income and cash flow for investment purposes.

Upon the expansion of the "Individual Visit Scheme" by adding 10 newly eligible cities in Mainland China in the first half of 2024, it is believed that more Mainland residents will visit Hong Kong and our hotel business will be benefited.

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 six months ended 30 June 2024. 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

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. Throughout the six months ended 30 June 2024, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix C1 to the Listing Rules.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 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 2024.

On behalf of the Board
CNT Group Limited
Tsui Yam Tong, Terry
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. Tsui Yam Tong, Terry and Mr. Chong Chi Kwan as executive Directors; Mr. Tsui Ho Chuen, Philip as non-executive Director; and Mr. Ko Kwok Fai, Dennis, Mr. Huang De Rui and Ms. Lin Yingru as independent non-executive Directors.