



CNT GROUP LIMITED
北海集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code : 701)

SEIZE THE
OPPORTUNITY

Interim Report **2024**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Tsui Yam Tong, Terry (*Chairman*)
Chong Chi Kwan (*Managing Director*)

Non-executive Director

Tsui Ho Chuen, Philip

Independent Non-executive Directors

Ko Kwok Fai, Dennis
Huang De Rui
Lin Yingru

AUDIT COMMITTEE

Ko Kwok Fai, Dennis (*Chairman*)
Huang De Rui
Lin Yingru

REMUNERATION COMMITTEE

Ko Kwok Fai, Dennis (*Chairman*)
Tsui Yam Tong, Terry
Huang De Rui

NOMINATION COMMITTEE

Ko Kwok Fai, Dennis (*Chairman*)
Chong Chi Kwan
Lin Yingru

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE REGISTRARS

Hong Kong

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

PRC

HSBC Bank (China) Company Limited
Bank of China Limited
Shenzhen Rural Commercial Bank
Corporation Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

Unit E, 28th Floor, CNT Tower, 338 Hennessy Road
Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

Interim Results

The board (the “Board”) of 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

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
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 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(16,868)</u>	<u>(6,033)</u>
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	<u>(18,082)</u>	<u>(42,278)</u>
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)
	<u>–</u>	<u>5,555</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(18,082)</u>	<u>(36,723)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(34,950)</u></u>	<u><u>(42,756)</u></u>
ATTRIBUTABLE TO:		
Owners of the parent	<u>(28,176)</u>	(33,205)
Non-controlling interests	<u>(6,774)</u>	(9,551)
	<u><u>(34,950)</u></u>	<u><u>(42,756)</u></u>

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

Condensed Consolidated Statement of Financial Position

30 June 2024

	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
	<hr/>	<hr/>
Total non-current liabilities	62,421	65,746
	<hr/>	<hr/>
Net assets	1,409,319	1,444,060
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	190,369
Reserves	1,104,754	1,132,930
	<hr/>	<hr/>
	1,295,123	1,323,299
Non-controlling interests	114,196	120,761
	<hr/>	<hr/>
Total equity	1,409,319	1,444,060
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent											
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Reserve funds* (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2024	190,369	88,970	106,020	170,879	7,523	(54,276)	(192,368)	22,603	983,579	1,323,299	120,761	1,444,060
Loss for the period	-	-	-	-	-	-	-	-	(13,462)	(13,462)	(3,406)	(16,868)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(14,714)	-	-	-	(14,714)	(3,368)	(18,082)
Total comprehensive loss for the period	-	-	-	-	-	(14,714)	-	-	(13,462)	(28,176)	(6,774)	(34,950)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	209	209
At 30 June 2024	<u>190,369</u>	<u>88,970[#]</u>	<u>106,020[#]</u>	<u>170,879[#]</u>	<u>7,523[#]</u>	<u>(68,990)[#]</u>	<u>(192,368)[#]</u>	<u>22,603[#]</u>	<u>970,117[#]</u>	<u>1,295,123</u>	<u>114,196</u>	<u>1,409,319</u>

	Attributable to owners of the parent											
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Reserve funds* (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2023	190,369	88,970	144,094	159,669	7,523	(30,542)	(184,275)	22,603	1,052,158	1,450,569	136,604	1,587,173
Loss for the period	-	-	-	-	-	-	-	-	(3,315)	(3,315)	(2,718)	(6,033)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(34,056)	-	-	-	(34,056)	(8,222)	(42,278)
Gain on property revaluation, net of tax	-	-	-	4,166	-	-	-	-	-	4,166	1,389	5,555
Total comprehensive income/(loss) for the period	-	-	-	4,166	-	(34,056)	-	-	(3,315)	(33,205)	(9,551)	(42,756)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	1,224	1,224
Final 2022 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	(38,074)	-	(38,074)
At 30 June 2023	<u>190,369</u>	<u>88,970[#]</u>	<u>106,020[#]</u>	<u>163,835[#]</u>	<u>7,523[#]</u>	<u>(64,598)[#]</u>	<u>(184,275)[#]</u>	<u>22,603[#]</u>	<u>1,048,843[#]</u>	<u>1,379,290</u>	<u>128,277</u>	<u>1,507,567</u>

* Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profits of certain subsidiaries and an associate of the Group established in the People's Republic of China (the "PRC") is required to be transferred to the PRC reserve funds which are restricted as to use. These PRC entities are not required to effect any further transfer when the amounts of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good the future losses of these PRC entities or to increase their registered capital.

These reserve accounts comprise the consolidated reserves of HK\$1,104,754,000 (30 June 2023: HK\$1,188,921,000) in the unaudited condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	7,542	12,523
Decrease in inventories	1,962	12,948
Decrease in trade and bills receivables	29,161	57,549
Increase in prepayments, deposits and other receivables	(202)	(10,192)
Increase in financial assets at fair value through profit or loss	–	(16)
Decrease in trade and bills payables	(50,950)	(33,851)
Decrease in other payables and accruals	(7,174)	(25,976)
Increase/(decrease) in deposits received	(700)	557
Exchange realignment	(1,465)	4,135
	<hr/>	<hr/>
Cash generated from/(used in) operations	(21,826)	17,677
Interest paid	(3,704)	(6,244)
Interest element of lease payments	(193)	(225)
Overseas taxes paid	(941)	(140)
	<hr/>	<hr/>
Net cash flows from/(used in) operating activities	(26,664)	11,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(73)	(2,738)
Proceeds from disposal of items of property, plant and equipment	50	907
Interest received	3,239	2,444
Dividend received from an associate	910	650
Dividend received from financial assets at fair value through profit or loss held for trading	–	8
Decrease/(increase) in pledged time deposits with original maturity of more than three months when acquired, net	59,482	(625)
Increase in non-pledged time deposits with original maturity of more than three months when acquired	(17,974)	–
	<hr/>	<hr/>
Net cash flows from investing activities	45,634	646
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	53,315	168,615
Repayment of bank loans	(60,303)	(194,122)
Dividend paid	–	(38,074)
Principal portion of lease payments	(2,134)	(1,917)
	<hr/>	<hr/>
Net cash flows used in financing activities	(9,122)	(65,498)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,848	(53,784)
Cash and cash equivalents at the beginning of period	235,192	386,874
Effect of foreign exchange rate changes, net	(183)	(12,106)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	244,857	320,984
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	171,907	228,087
Non-pledged time deposits with original maturity of less than three months when acquired	72,950	92,897
Non-pledged time deposits with original maturity of more than three months when acquired	42,989	–
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	287,846	320,984
Non-pledged time deposits with original maturity of more than three months when acquired	(42,989)	–
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	244,857	320,984
	<hr/> <hr/>	<hr/> <hr/>

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 “Stock Exchange”). 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	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangement</i>

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 its 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.

Notes to the Condensed Consolidated 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 investments in residential properties, commercial properties 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.

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

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
	<u>139,150</u>	<u>20,466</u>	<u>5,204</u>	<u>6,142</u>	<u>170,962</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(1,299)
Total					<u><u>169,663</u></u>
Segment results	(19,296)	5,084	123	9,354	(4,735)
<i>Reconciliation:</i>					
Elimination of intersegment results					(3,135)
Interest income					3,248
Finance costs					(3,692)
Corporate and other unallocated expenses					(8,802)
Loss before tax					<u><u>(17,116)</u></u>
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
	<u>237,481</u>	<u>32,049</u>	<u>4,803</u>	<u>452</u>	<u>274,785</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(1,616)
Total					<u><u>273,169</u></u>
Segment results	(15,251)	28,167	(527)	(2,074)	10,315
<i>Reconciliation:</i>					
Elimination of intersegment results					(399)
Interest income					3,580
Finance costs					(6,509)
Corporate and other unallocated expenses					(10,472)
Loss before tax					<u><u>(3,485)</u></u>

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>					
Corporate and other unallocated assets					206,509
Elimination of inter-company receivables					<u>(79,655)</u>
Total assets					<u><u>1,843,688</u></u>
Segment liabilities	393,355	108,591	7,249	2,761	511,956
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					2,068
Elimination of inter-company payables					<u>(79,655)</u>
Total liabilities					<u><u>434,369</u></u>
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
<i>Reconciliation:</i>					
Corporate and other unallocated assets					171,759
Elimination of inter-company receivables					<u>(96,511)</u>
Total assets					<u><u>1,955,433</u></u>
Segment liabilities	482,024	111,852	7,474	2,641	603,991
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					3,893
Elimination of inter-company payables					<u>(96,511)</u>
Total liabilities					<u><u>511,373</u></u>

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

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.

Information about major customers

During the six months ended 30 June 2024 and 2023, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of paint products	137,044	233,886
Hotel operation	5,204	4,803
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases	18,863	17,599
	161,111	256,288

Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

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
<u>Segments</u>			
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	<u>137,044</u>	<u>5,204</u>	<u>142,248</u>
<u>Geographical markets</u>			
Hong Kong	27,727	5,204	32,931
Mainland China	109,317	–	109,317
Total revenue from contracts with customers	<u>137,044</u>	<u>5,204</u>	<u>142,248</u>
<u>Timing of revenue recognition</u>			
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	<u>137,044</u>	<u>5,204</u>	<u>142,248</u>
For the six months ended 30 June 2023	Paint products (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<u>Segments</u>			
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	<u>233,886</u>	<u>4,803</u>	<u>238,689</u>
<u>Geographical markets</u>			
Hong Kong	32,031	4,803	36,834
Mainland China	201,855	–	201,855
Total revenue from contracts with customers	<u>233,886</u>	<u>4,803</u>	<u>238,689</u>
<u>Timing of revenue recognition</u>			
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	<u>233,886</u>	<u>4,803</u>	<u>238,689</u>

Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) 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 were received from certain government authorities of the PRC in recognition of the Group's efforts in environmental awareness and protection and technological development. There were 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 were 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.

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on bank borrowings	3,499	6,284
Interest on lease liabilities	193	225
	<u>3,692</u>	<u>6,509</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) 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.

Notes to the Condensed Consolidated Financial Statements

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 for the six months ended 30 June 2024 (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 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%) has been applied during the period.

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) 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 amounts 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 of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Notes to the Condensed Consolidated Financial Statements

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)
	753,706	772,933

The investment properties of the Group consist of residential properties, commercial properties and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that investment properties consist of five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC during the period (31 December 2023: five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC), based on the nature, characteristics and risks of each property. 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. The finance department of the Group which reports directly to the senior management selects external valuers to be responsible for the external valuations of the properties of the Group based on market knowledge, reputation and independence of the external valuers, and whether professional standards are maintained by the external 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. The finance department of the Group discussed with the external valuers on the valuation assumptions and valuation results when the valuations were performed for interim and annual financial reporting.

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sales transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties. Capitalisation rates are estimated by the valuers based on the risk profile of the properties being valued.

The market comparison approach is based on the price by assuming sale of the property interest in its existing state with reference to comparable sales transactions as available in the relevant market.

The depreciated replacement cost approach is based on an estimate of the new replacement cost of the building and structures less allowance for physical deterioration and all relevant forms of obsolescent and optimisation.

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates how the fair values of the investment properties of the Group are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to Level 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant Unobservable inputs	Range or weighted average	
				As at 30 June 2024	As at 31 December 2023
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$21 to HK\$80	HK\$22 to HK\$84
			Capitalisation rates	2.5% to 3.3%	2.4% to 3.1%
Residential and commercial composite building in Hong Kong	Level 3	Market comparison approach	Prevailing market rates (per sq.ft.)	HK\$17,101 to HK\$41,760	HK\$16,199 to HK\$46,795
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB107 to RMB246	RMB78 to RMB231
			Capitalisation rates	3.5% to 5.8%	3.0% to 5.0%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB6,236 to RMB42,575	RMB6,173 to RMB44,576
			Industrial properties in Mainland China	Level 3	Income capitalisation method
Capitalisation rates	5.4% to 8.8%	4.5% to 8.8%			
Residential properties in Mainland China	Level 3	Market comparison approach and depreciated replacement cost approach	Prevailing market rates (per sq.m.)	RMB900 to RMB1,650	RMB741 to RMB3,026
			Estimated replacement cost (per sq.m.)	RMB2,048 to RMB2,882	RMB926 to RMB2,476
		Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB8,134 to RMB51,385	RMB9,277 to RMB55,985
Capitalisation rates	1.5% to 3.5%		4.5% to 8.8%		
Residential properties in Mainland China	Level 3	Market comparison approach	Prevailing market rates (per sq.m.)	RMB8,134 to RMB51,385	RMB9,277 to RMB55,985

During the six months ended 30 June 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2023: Nil).

Under the income capitalisation method, a significant increase/decrease in the prevailing market rents in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties.

Under the market comparison approach, a significant increase/decrease in the prevailing market rates in isolation would result in a significant increase/decrease in the fair value of the investment property.

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Under the depreciated replacement cost approach, a significant increase/decrease in the estimated replacement cost in isolation would result a significant increase/decrease in the fair value of the investment property.

The reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy of each class of asset is as follows:

	Commercial properties in Hong Kong (Unaudited) HK\$'000	Residential and commercial composite building in Hong Kong (Unaudited) HK\$'000	Commercial properties in Mainland China (Unaudited) HK\$'000	Industrial properties in Mainland China (Unaudited) HK\$'000	Residential properties in Mainland China (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Carrying amount as at 1 January 2024	163,000	125,900	81,791	339,288	62,954	772,933
Fair value gains/(losses), net	(6,000)	(2,500)	(2,163)	3,884	(4,853)	(11,632)
Transfer from an owner						
– occupied property	–	–	–	3,959	–	3,959
Exchange realignment	–	–	(1,928)	(8,158)	(1,468)	(11,554)
Carrying amount as at 30 June 2024	<u>157,000</u>	<u>123,400</u>	<u>77,700</u>	<u>338,973</u>	<u>56,633</u>	<u>753,706</u>

11. TRADE AND BILLS RECEIVABLES

The trade receivables of the Group 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 balances 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
	<u>139,497</u>	<u>173,707</u>

Notes to the Condensed Consolidated Financial Statements

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

The 2022 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 share 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 period ended 30 June 2024 and 2023, 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 dated 27 April 2020.

Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM (continued)

The equity-settled share options granted on 15 June 2022 vest over a period of four 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 five years from the date of grant, and if not so exercised, the share options shall lapse.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the CPM Scheme and any other share option schemes of CPM must not in aggregate exceed 10% of the total issued shares of CPM as at the Adoption Date. The maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the CPM Scheme and any other share option schemes of CPM (including both exercised and outstanding share options) and such shares which were subsequently cancelled, to each eligible participant in any 12-month period up to the date of offer shall not exceed 1% of the number of shares in issue as at the date of offer. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by CPM and the approval of CPM's shareholders at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of CPM, or to any of their respective associates under the CPM Scheme and any other share option schemes of CPM or any of its subsidiaries are subject to approval by the independent non-executive directors of CPM (excluding independent non-executive director of CPM who is the grantee of the share options). In addition, any share options granted to a substantial shareholder of CPM or an independent non-executive director of CPM, or to any of their respective associates, representing in aggregate over 0.1% of the shares of CPM in issue on the date of offer and having an aggregate value (based on the closing price of CPM's shares on the date of offer) in excess of HK\$5 million, in the 12-month period up to and including the date of offer, are subject to shareholders' approval of CPM in advance in a general meeting.

The offer of a grant of share options must be accepted not later than 21 days after the date of offer and the amount payable by the grantees to CPM on acceptance of the offer for the grant of a share option is HK\$1.00. The period during which the share option may be exercised will be determined by the board of directors of CPM in its absolute discretion.

The exercise price of share options is determined by the board of directors of CPM, but shall not be less than the highest of (i) the closing price of CPM's shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer in respect of such share option; (ii) the average closing price of CPM's shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer in respect of such share option; and (iii) the nominal value of CPM's share.

Share options do not confer rights on the holders to dividends or to vote in any general meeting of CPM.

Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM (continued)

The summary below sets forth the details of movement of share options granted as at 30 June 2024 pursuant to the CPM Scheme:

	Date of grant	Exercise period (Note)	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as at 30 June 2024
Directors of CPM	15 June 2022	15 June 2022 to 14 June 2027	0.335	30,000,000	-	-	-	30,000,000
Employees of the CPM Group	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	-	-	(10,000,000)	40,000,000
Total				<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>(10,000,000)</u>	<u>70,000,000</u>

Note:

The share options granted to each of the grantees have the vesting period and are/would be exercisable as follows:

- 50% of the share options vested on the date of grant of the share options, i.e. 15 June 2022 and are exercisable from 15 June 2022 to 14 June 2027;
- 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023 to 14 June 2027;
- 10% of the share options vested on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and are exercisable from 15 June 2024 to 14 June 2027;
- 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025 to 14 June 2027; and
- the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026 to 14 June 2027.

As one of the employees of the 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 period ended 30 June 2023.

No share options were granted under the CPM Scheme during the six months period 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).

Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM (continued)

At the end of the reporting period, CPM had 70,000,000 (31 December 2023: 80,000,000) share options outstanding under the CPM Scheme. The exercise in full of the outstanding share options would, under the present capital structure of CPM, result in the issue of 70,000,000 (31 December 2023: 80,000,000) additional ordinary shares of CPM and additional share capital of HK\$23,450,000 (31 December 2023: HK\$26,800,000) (before issue expenses).

At the date of approval of these financial statements, CPM had 70,000,000 (31 December 2023: 80,000,000) share options outstanding under the CPM Scheme, which represented 7% (31 December 2023: 8%) of CPM's shares in issue as at that date.

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	2,542	2,737

15. RELATED PARTY TRANSACTIONS

- (a) Outstanding balances with related parties

The amount due to an associate included in the Group's current liabilities as at 30 June 2024 of HK\$2,800,000 (31 December 2023: HK\$2,800,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Short-term employee benefits	1,390	1,284
Post-employment benefits	9	9
Equity-settled share option expenses	55	153
Total compensation paid/payable to key management personnel	1,454	1,446

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and deposits received, the current portion of interest-bearing bank borrowings, and an amount due to an associate approximate to their carrying amounts largely due to the short-term maturities or repayable on demand of these instruments.

The Group's finance department which reports directly to the senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The audit committee of the Board reviews the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate these fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2024 and 31 December 2023 were assessed to be insignificant.

The fair value of the unlisted club membership debenture is based on quoted market prices.

The fair values of other unlisted equity investments designated at fair value through other comprehensive income have been estimated using market-based valuation techniques based on assumptions that are not supported by observable market prices or rates. The fair values of these unlisted equity investments have been determined using the market comparison approach and/or quoted market prices and applicable valuation techniques which require the directors of the Company to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors of the Company believe that the estimated fair values resulting from the valuation techniques, which are recorded in the unaudited condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Set out below is a summary of significant unobservable inputs to the valuation of equity investments designated at fair value through other comprehensive income:

Financial instruments	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	Market comparison approach	Discount for lack of marketability	The higher the discount, the lower the fair value
		Minority discount	The higher the discount, the lower the fair value

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
<i>Assets measured at fair value:</i>				
At 30 June 2024				
Equity investments designated at fair value through other comprehensive income	–	300	33,711	34,011

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
<i>Assets measured at fair value:</i>				
At 31 December 2023				
Equity investments designated at fair value through other comprehensive income	–	300	33,711	34,011

Assets measured at fair value:

At 31 December 2023

Equity investments designated at fair value through other comprehensive income	–	300	33,711	34,011
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The movements in fair value measurements in Level 3 during the period are as follows:

	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January and 30 June	33,711	41,804

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

During the six months ended 30 June 2024, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 August 2024.

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.

Management Discussion and Analysis

INVESTMENT PROPERTY BUSINESS (continued)

Investment Properties (continued)

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.

Management Discussion and Analysis

INVESTMENT PROPERTY BUSINESS (continued)

Property under Development (continued)

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 of the Company are of the preliminary view that the Re-development Project may be disposed of to the independent third parties. The directors of the Company 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 of the Company 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.

Management Discussion and Analysis

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the interim report 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 change
	HK\$'000	%	HK\$'000	%	
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
	<u>137,044</u>	<u>100.0</u>	<u>233,886</u>	<u>100.0</u>	<u>-41.4</u>

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.

Management Discussion and Analysis

PAINT AND COATING BUSINESS (continued)

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 the 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.

Management Discussion and Analysis

PAINT AND COATING BUSINESS (continued)

Segmental Results (continued)

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.

Management Discussion and Analysis

PAINT AND COATING BUSINESS (continued)

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 partially 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 was predominantly attributable to the implementation of cost-saving measures by the CPM Group 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 (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.

Management Discussion and Analysis

OTHER BUSINESSES (continued)

Equity Investments Designated at Fair Value Through Other Comprehensive Income (continued)

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. 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 pledged 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.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and Financial Information (continued)

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 days¹ were 47 days as compared to 30 days for the six months ended 30 June 2023. The trade and bills receivables turnover days² 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.

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.

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).

Management Discussion and Analysis

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.

Management Discussion and Analysis

BUSINESS OUTLOOK (continued)

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 of the Company 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.

Other Information

INTERIM DIVIDEND

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

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company

As at 30 June 2024, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Capacity	Number of shares				Total	Percentage of the total number of shares in issue
		Personal interests	Family interests	Corporate interests	Other interests		
Tsui Ho Chuen, Philip	Interest of controlled corporation	-	-	556,369,226 (Note)	-	556,369,226	29.22%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	-	-	-	503,374	0.02%

Note: The 556,369,226 shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

CPM

The share options granted by CPM under its share option scheme adopted on 4 June 2020 (the "CPM Scheme") to each of Mr. Tsui Ho Chuen, Philip, being an executive director of CPM and Mr. Chong Chi Kwan, being a non-executive director of CPM are set out below:

Name	Capacity	Date of grant	Exercise period	Exercise price per share HK\$	Number of underlying shares comprised in the share options	Percentage of the total number of shares of CPM in issue
Tsui Ho Chuen, Philip	Beneficial owner	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	1.00%
Chong Chi Kwan	Beneficial owner	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	1.00%

Save as disclosed above, as at 30 June 2024, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

Other Information

SHARE OPTIONS

Share Option Scheme of the Company

The existing share option scheme was adopted by the Company on 2 June 2022 (the "Scheme"). From the date of adoption of the Scheme up to the period ended 30 June 2024, no share option has been granted under the Scheme. As at 1 January 2024 and 30 June 2024, the number of share options available for grant under the Scheme was 190,368,569 respectively, representing 10% of the issued share capital of the Company. There was no service provider sublimit set under the Scheme.

Share Option Scheme of CPM

Details of the movements in the share options granted by CPM under the CPM Scheme during the review period are as follows:

Name	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30 June 2024
				Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Executive director of CPM									
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	10,000,000
Executive director of CPM									
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	10,000,000
Non-executive director of CPM									
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	10,000,000
Employees of the CPM Group									
	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	-	-	-	(10,000,000)	40,000,000
				<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000,000)</u>	<u>70,000,000</u>

Other Information

SHARE OPTIONS (continued)

Share Option Scheme of CPM (continued)

Notes:

- (1) The above share options granted have the vesting period and are/would be exercisable as follows:
 - (a) 50% of the share options vested on and are exercisable from the date of grant of the share options, i.e. 15 June 2022;
 - (b) 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023;
 - (c) 10% of the share options vested on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and are exercisable from 15 June 2024;
 - (d) 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025; and
 - (e) the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026.
- (2) The closing price of the shares of CPM on 14 June 2022, being the date immediately before the date on which the above share options were granted under the CPM Scheme, was HK\$0.335.
- (3) The number of share options available for grant under the CPM Scheme as at 1 January 2024 and 30 June 2024 were 20,000,000 and 30,000,000 respectively.
- (4) There was no service provider sublimit set under the CPM Scheme.
- (5) There is no performance target attached with the share options.
- (6) During the six months ended 30 June 2024, no share options were granted under the CPM Scheme. The number of shares of CPM that may be issued in respect of share options granted under the CPM Scheme during the six months ended 30 June 2024 divided by the weighted average number of shares of CPM in issue for the six months ended 30 June 2024 was 7%.
- (7) The remuneration committee of the board of CPM considered that the share options granted on 15 June 2022 was to reward eligible participants who had contributed to the business development of the CPM Group and to encourage eligible participants to work towards enhancing the value of CPM and for the benefit of CPM and its shareholder as a whole. The remuneration committee of the board of CPM also considered that the grantees were eligible participants under the CPM Scheme who would contribute directly to the overall business performance and sustainable development of the CPM Group, the granting of share options to the grantees was a recognition for their past contributions to the CPM Group and the share options were subject to the terms of the CPM Scheme which provided for circumstances under which the share options may lapse.
- (8) None of the share options granted under the CPM Scheme was cancelled and 10,000,000 share options granted under the CPM Scheme were lapsed during the six months ended 30 June 2024.
- (9) Other details of the share options granted under the CPM Scheme are set out in note 13 to the financial statements.
- (10) Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the review period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2024, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the directors of the Company) had interests in the shares and underlying shares of the Company:

Name	Notes	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of the total number of shares in issue
10% or more of the total shares in issue					
Prime Surplus Limited	1	Beneficial owner	556,369,226	–	29.22%
Ho Mei Po, Mabel	2	Interest of spouse	556,369,226	–	29.22%
Chinaculture.com Limited	3	Beneficial owner	368,363,181	–	19.35%
Chuang's China Investments Limited	3	Interest of controlled corporation	368,363,181	–	19.35%
Profit Stability Investments Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chuang's Consortium International Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Evergain Holdings Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Ho Pik Yu	3	Interest of spouse	368,363,181	–	19.35%
Below 10% of the total shares in issue					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

- (1) The 556,369,226 shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 556,369,226 shares in which her spouse was interested under the SFO.
- (3) The shareholding of 19.35% was based on the disclosure in the annual report of Chuang's Consortium International Limited for the year ended 31 March 2024. The number of shares is based on the shareholding percentage and the total number of shares in issue of the Company as of 30 June 2024. The Company has not been informed on any change in the number of shares held by Chuang's Consortium International Limited.

The references to the 368,363,181 shares relate to the same block of 368,363,181 shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 61.15% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 56.77% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 60% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 368,363,181 shares which were owned by Chinaculture.com Limited.

- (4) These shares were beneficially owned by Broadsino Investment Company Limited. Pursuant to an option granted by Rapid Growth Ltd., Broadsino Investment Company Limited has a right to sell all or part of these shares to Rapid Growth Ltd. exercisable at any time during the term of the option.
- (5) The references to the interests in 98,000,000 underlying shares of the Company relate to the same block of 98,000,000 underlying shares of the Company interested by Rapid Growth Ltd. by virtue of an option granted by Rapid Growth Ltd. to Broadsino Investment Company Limited as disclosed in note (4) above.

Rapid Growth Ltd. was a wholly-owned subsidiary of Polygold Holdings Limited, which in turn was wholly owned by Mr. Xie Jian Ming.

Polygold Holdings Limited and Mr. Xie Jian Ming were all deemed under the SFO to be interested in these 98,000,000 underlying shares of the Company which were taken to be interested by Rapid Growth Ltd..

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2024 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of the directors of the Company are as follows:

- (1) Mr. Zhang Xiaojing retired as an independent non-executive director of the Company and ceased to be a member of the nomination committee of the Board (the "Nomination Committee") with effect from the conclusion of the annual general meeting of the Company (the "AGM") held on 4 June 2024.
- (2) Ms. Lin Yingru has been appointed as a member of the Nomination Committee with effect from the conclusion of the AGM on 4 June 2024.
- (3) Mr. Zhang Yulin resigned as a non-executive director of the Company with effect from 5 June 2024.
- (4) Mr. Cheng Wai Po, Samuel resigned as an independent non-executive director of the Company with effect from 5 June 2024.

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 as contained in Appendix C3 to the Listing Rules. After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2024.

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

Hong Kong, 29 August 2024