CNT GROUP LIMITED
北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

Interim Report 2022

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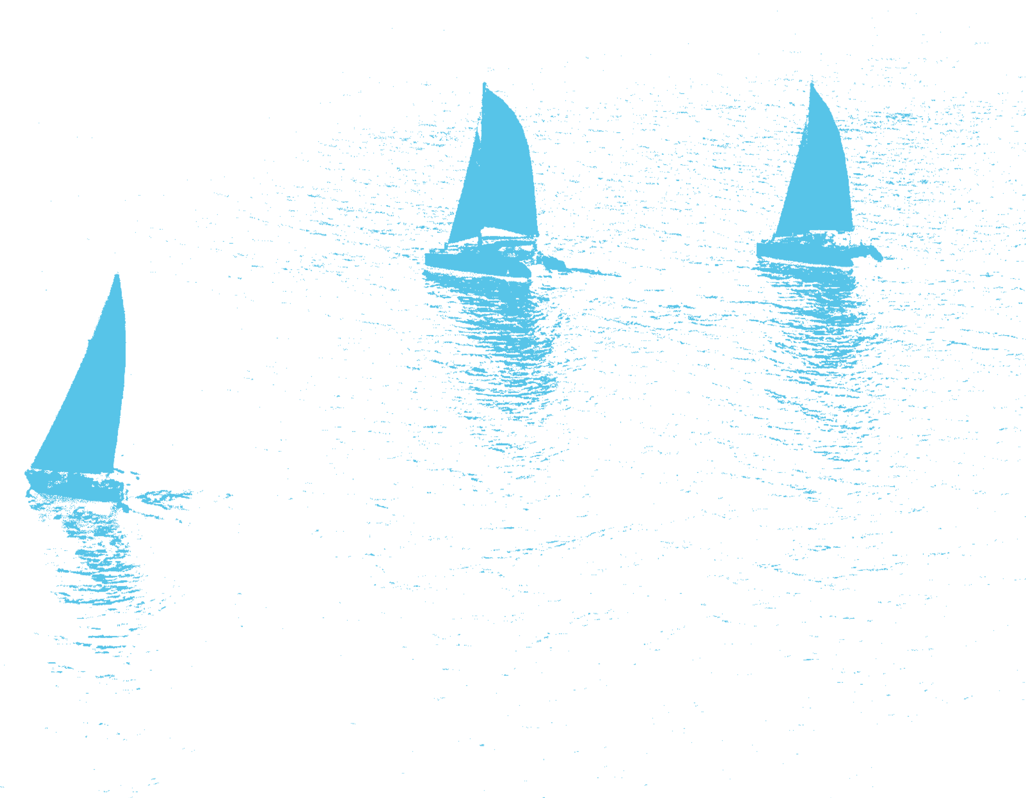

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul *(Chairman)*
Chong Chi Kwan *(Managing Director)*

Non-executive Directors

Tsui Ho Chuen, Philip
Zhang Yulin
Wu Hong Cho

Independent Non-executive Directors

Ko Kwok Fai, Dennis
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel

AUDIT COMMITTEE

Ko Kwok Fai, Dennis *(Chairman)*
Huang De Rui
Wu Hong Cho

REMUNERATION COMMITTEE

Ko Kwok Fai, Dennis *(Chairman)*
Lam Ting Ball, Paul
Huang De Rui

NOMINATION COMMITTEE

Ko Kwok Fai, Dennis *(Chairman)*
Chong Chi Kwan
Zhang Xiaojing

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

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, 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 of directors (the "Board") 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 2022 together with comparative amounts for the corresponding period in 2021. 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 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
REVENUE	3	**319,942**	432,665
Cost of sales		**(251,814)**	(323,659)
Gross profit		**68,128**	109,006
Other income and gains, net	3	**9,130**	9,714
Selling and distribution expenses		**(46,470)**	(52,127)
Administrative expenses		**(70,110)**	(68,083)
Other expenses, net		**(11,677)**	(10,079)
Fair value gains/(losses) on investment properties, net	10	**(5,198)**	15,539
Finance costs	4	**(3,005)**	(2,814)
Share of profit and loss of an associate		**944**	806
PROFIT/(LOSS) BEFORE TAX	5	**(58,258)**	1,962
Income tax expenses	6	**(554)**	(1,764)
PROFIT/(LOSS) FOR THE PERIOD		**(58,812)**	198
ATTRIBUTABLE TO:			
Owners of the parent		**(46,080)**	4,292
Non-controlling interests		**(12,732)**	(4,094)
		(58,812)	198
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**HK(2.42) cents**	HK0.23 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**(58,812)**	198
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(41,020)**	7,268
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(41,020)**	7,268
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(99,832)**	7,466
ATTRIBUTABLE TO:		
Owners of the parent	**(79,269)**	10,163
Non-controlling interests	**(20,563)**	(2,697)
	(99,832)	7,466

Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**509,011**	514,808
Investment properties	10	**583,928**	601,378
Properties under development		**28,000**	28,000
Deposits		**309**	282
Right-of-use assets		**97,009**	97,770
Interest in an associate		**1,927**	2,722
Equity investments designated at fair value through other comprehensive income		**47,987**	47,987
Deposits for purchases of property, plant and equipment		**4,645**	4,850
Net pension scheme assets		**5,548**	5,548
Deferred tax assets		**17,731**	18,503
Total non-current assets		**1,296,095**	1,321,848
CURRENT ASSETS			
Inventories		**66,256**	82,082
Trade and bills receivables	11	**400,456**	452,113
Prepayments, deposits and other receivables		**77,702**	81,280
Financial assets at fair value through profit or loss		**4,449**	6,418
Pledged deposits		**34,890**	42,308
Cash and cash equivalents		**338,443**	455,165
Total current assets		**922,196**	1,119,366
CURRENT LIABILITIES			
Trade and bills payables	12	**259,146**	352,404
Other payables and accruals		**70,212**	85,232
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**285,029**	269,207
Lease liabilities		**2,602**	2,781
Tax payable		**11,241**	11,741
Total current liabilities		**631,030**	724,165
NET CURRENT ASSETS		**291,166**	395,201
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,587,261**	1,717,049

Condensed Consolidated Statement of Financial Position

30 June 2022

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**5,430**	746
Deferred tax liabilities	**32,694**	33,369
Deferred income	**808**	1,002
Total non-current liabilities	**38,932**	35,117
Net assets	**1,548,329**	1,681,932
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,238,286**	1,355,629
	1,428,655	1,545,998
Non-controlling interests	**119,674**	135,934
Total equity	**1,548,329**	1,681,932

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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 2022	190,369	88,970	182,167	61,049	7,523	24,391	(178,392)	22,603	1,147,318	1,545,998	135,934	1,681,932
Loss for the period	-	-	-	-	-	-	-	-	(46,080)	(46,080)	(12,732)	(58,812)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(33,189)	-	-	-	(33,189)	(7,831)	(41,020)
Total comprehensive loss for the period	-	-	-	-	-	(33,189)	-	-	(46,080)	(79,269)	(20,563)	(99,832)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	4,303	4,303
Final 2021 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	(38,074)	-	(38,074)
At 30 June 2022	190,369	88,970#	144,093#	61,049#	7,523#	(8,798)#	(178,392)#	22,603#	1,101,238#	1,428,655	119,674	1,548,329

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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 2021	190,369	88,970	220,241	61,049	7,523	4,469	(183,403)	21,650	1,173,804	1,584,672	148,457	1,733,129
Profit/(loss) for the period	–	–	–	–	–	–	–	–	4,292	4,292	(4,094)	198
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	5,871	–	–	–	5,871	1,397	7,268
Total comprehensive income/(loss) for the period	–	–	–	–	–	5,871	–	–	4,292	10,163	(2,697)	7,466
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Final 2020 dividend declared and paid	–	–	(38,074)	–	–	–	–	–	–	(38,074)	–	(38,074)
At 30 June 2021	190,369	88,970#	182,167#	61,049#	7,523#	10,340#	(183,403)#	21,650#	1,178,096#	1,556,761	143,260	1,700,021

* Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit 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$1,238,286,000 (30 June 2021: HK$1,366,392,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit/(loss) before working capital changes	**(30,790)**	6,273
Decrease/(increase) in inventories	**12,592**	(19,559)
Decrease/(increase) in trade and bills receivables	**33,965**	(20,919)
Decrease in prepayments, deposits and other receivables	**1,417**	3,903
Decrease/(increase) in financial assets at fair value through profit or loss	**2,050**	(7,412)
Decrease in trade and bills payables	**(80,711)**	(1,790)
Decrease in other payables and accruals	**(12,755)**	(24,409)
Exchange realignment	**2,113**	(762)
Cash used in operations	**(72,119)**	(64,675)
Interest paid	**(2,847)**	(2,804)
Interest element of lease payments	**(85)**	(59)
Overseas taxes refund/(paid)	**135**	(808)
Hong Kong profits tax paid	**–**	(1,143)
Net cash flows used in operating activities	**(74,916)**	(69,489)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(2,738)**	(7,383)
Proceeds from disposal of items of property, plant and equipment	**309**	147
Interest received	**1,628**	1,589
Dividend received from an associate	**1,581**	1,149
Dividend received from financial assets at fair value through profit or loss	**132**	–
Deposits paid for purchases of property, and plant and equipment, and investment properties	**(16,443)**	(1,649)
Decrease/(increase) in pledged time deposits with original maturity of more than three months when acquired, net	**5,775**	(5,398)
Net cash flows used in investing activities	**(9,756)**	(11,545)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**206,421**	104,111
Repayment of bank loans	**(190,599)**	(96,255)
Dividend paid	**(38,074)**	(38,074)
Dividend paid to non-controlling interests	**–**	(2,500)
Principal portion of lease payments	**(1,713)**	(2,083)
Net cash flows used in financing activities	**(23,965)**	(34,801)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(108,637)**	(115,835)
Cash and cash equivalents at beginning of period	**455,165**	502,124
Effect of foreign exchange rate changes, net	**(8,085)**	1,687
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**338,443**	387,976
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**157,702**	201,941
Non-pledged time deposits with original maturity of less than three months when acquired	**180,741**	186,035
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**338,443**	387,976

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations on 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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 ("CPM", together with its subsidiaries collectively as the "CPM Group");

(b) the property investment segment comprises:

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

(ii) the development and sale of properties;

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

(d) the hotel business; and

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

The chief operating decision-maker regularly reviews the operating results of the Group's operating segments separately for the purpose of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Six months ended 30 June 2022						
Segment revenue:						
Sales to external customers	**310,152**	**8,127**	**636**	**1,027**	**–**	**319,942**
Intersegment sales	**–**	**2,363**	**–**	**–**	**–**	**2,363**
Other revenue and gains	**5,950**	**2,338**	**15**	**300**	**(1,461)**	**7,142**
	316,102	**12,828**	**651**	**1,327**	**(1,461)**	**329,447**
Reconciliation:						
Elimination of intersegment sales						**(2,363)**
Total						**327,084**
Segment results	**(48,243)**	**4,007**	**(130)**	**(3,153)**	**(1,811)**	**(49,330)**
Reconciliation:						
Elimination of intersegment results						**(45)**
Interest income						**1,988**
Finance costs						**(3,005)**
Corporate and other unallocated expenses						**(7,866)**
Loss before tax						**(58,258)**
Six months ended 30 June 2021						
Segment revenue:						
Sales to external customers	403,797	15,805	13,063	–	–	432,665
Intersegment sales	–	2,358	–	–	–	2,358
Other revenue and gains	6,234	18,395	70	–	(892)	23,807
	410,031	36,558	13,133	–	(892)	458,830
Reconciliation:						
Elimination of intersegment sales						(2,358)
Total						456,472
Segment results	(14,659)	28,842	1,133	–	(1,211)	14,105
Reconciliation:						
Elimination of intersegment results						(46)
Interest income						1,446
Finance costs						(2,814)
Corporate and other unallocated expenses						(10,729)
Profit before tax						1,962

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
As at 30 June 2022						
Segment assets	**1,041,980**	**622,277**	**16,410**	**285,048**	**56,243**	**2,021,958**
Reconciliation:						
Elimination of intersegment receivables						**(789)**
Corporate and other unallocated assets						**197,122**
Total assets						**2,218,291**
Segment liabilities	**585,955**	**72,985**	**329**	**9,412**	**147**	**668,828**
Reconciliation:						
Elimination of intersegment payables						**(789)**
Corporate and other unallocated liabilities						**1,923**
Total liabilities						**669,962**

	Paint products (Audited) HK$'000	Property investment (Audited) HK$'000	Iron and steel trading (Audited) HK$'000	Hotel business (Audited) HK$'000	Others (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2021						
Segment assets	1,203,480	642,928	17,495	287,037	57,566	2,208,506
Reconciliation:						
Elimination of intersegment receivables						(796)
Corporate and other unallocated assets						233,504
Total assets						2,441,214
Segment liabilities	670,366	75,896	834	9,313	389	756,798
Reconciliation:						
Elimination of intersegment payables						(796)
Corporate and other unallocated liabilities						3,280
Total liabilities						759,282

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Six months ended 30 June 2022						
Segment capital expenditure:						
Capital expenditure	**17,801**	**–**	**–**	**1,378**	**–**	**19,179**
Corporate and other unallocated capital expenditure						**2**
						19,181*
Six months ended 30 June 2021						
Segment capital expenditure:						
Capital expenditure	8,970	62	–	–	–	9,032
Corporate and other unallocated capital expenditure						–
						9,032*

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

During the six months ended 30 June 2022 and 2021, no revenue from any single customer accounted for 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
Revenue from contracts with customers		
Sale of paint products	**310,152**	403,797
Sale of iron and steel products	**636**	13,063
Hotel operation	**1,027**	–
Revenue from other sources		
Gross rental income from investment properties operating leases	**8,127**	15,805
	319,942	432,665

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

Disaggregated revenue information for revenue from contracts with customers

	Paint products (Unaudited) HK$'000	Iron and steel products (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2022				
Segments				
Sale of industrial products	**310,152**	**636**	**–**	**310,788**
Hotel operation	**–**	**–**	**1,027**	**1,027**
	310,152	**636**	**1,027**	**311,815**
Geographical markets				
Hong Kong	**36,790**	**–**	**1,027**	**37,817**
Mainland China	**273,362**	**636**	**–**	**273,998**
Total revenue from contracts with customers	**310,152**	**636**	**1,027**	**311,815**
Timing of revenue recognition				
Goods transferred at a point in time	**310,152**	**636**	**–**	**310,788**
Service satisfied over time	**–**	**–**	**1,027**	**1,027**
	310,152	**636**	**1,027**	**311,815**
For the six months ended 30 June 2021				
Segments				
Sale of industrial products	403,797	13,063	–	416,860
Hotel operation	–	–	–	–
	403,797	13,063	–	416,860
Geographical markets				
Hong Kong	34,959	–	–	34,959
Mainland China	368,838	13,063	–	381,901
Total revenue from contracts with customers	403,797	13,063	–	416,860
Timing of revenue recognition				
Goods transferred at a point in time	403,797	13,063	–	416,860
Service satisfied over time	–	–	–	–
	403,797	13,063	–	416,860

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

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains, net		
Interest income from structured deposits	**–**	89
Bank interest income	**1,988**	1,357
Dividend income from financial assets at fair value through profit or loss held for trading	**132**	62
Government grants*	**1,313**	3,025
Government subsidies^	**1,364**	–
Recognition of deferred income	**155**	153
Rental income	**2,013**	2,675
Gain on disposal of items of property, plant and equipment, net	**221**	105
Foreign exchange differences, net	**206**	356
Surrender income for early termination of tenancy agreement	**2,297**	2,500
Fair value gains/(losses) on financial assets at fair value through profit or loss held for trading, net	**(423)**	218
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**(351)**	(1,515)
Others	**215**	689
	9,130	9,714

* Government grants have been received from certain government authorities of the PRC in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

^ During the six months ended 30 June 2022, government subsidies were granted from the 2022 Employment Support Scheme and Hotel Sector Support Scheme under the Anti-epidemic Fund of the Hong Kong government. There are no unfulfilled conditions or contingencies relating to these government subsidies.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**2,920**	2,755
Interest on lease liabilities	**85**	59
	3,005	2,814

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**251,814**	323,659
Depreciation of property, plant and equipment	**15,439**	12,725
Depreciation of right-of-use assets	**3,677**	3,867
Write-down/(write back) of inventories to net realisable value, net#	**160**	(393)
Provision for/(reversal of provision) for impairment of trade and bills receivables*	**(795)**	3,260
Fair value losses/(gains) on financial assets at fair value through profit or loss held for trading, net	**423**	(218)
Staff termination cost*	**6,663**	–
Equity-settled share option expenses	**4,303**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**351**	1,515
Dividend income from financial assets at fair value through profit or loss held for trading	**(132)**	(62)
Gain on disposal of items of property, plant and equipment, net*	**(221)**	(105)
Write-off of items of property, plant and equipment*	**2**	216
Foreign exchange differences, net*	**(206)**	(356)

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

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: 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 2021: 25%) during the period, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2021: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$187,000 (six months ended 30 June 2021: HK$159,000) is included in "Share of profit and loss of an associate" in the unaudited condensed consolidated statement of profit or loss.

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

The calculation of the basic and diluted earnings/(loss) per share amount is based on the loss for the six months ended 30 June 2022 attributable to ordinary equity holders of the parent of HK$46,080,000 (six months ended 30 June 2021: profit of HK$4,292,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2021: 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 2022 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. No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

8. DIVIDEND

At the annual general meeting held on 2 June 2022, the Company's shareholders (the "Shareholders") approved the distribution of the final dividend for the year ended 31 December 2021 of HK2.0 cents (year ended 31 December 2020: HK2.0 cents) per share which amounted to approximately HK$38,074,000 (year ended 31 December 2020: HK$38,074,000).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment at costs of HK$18,400,000 (six months ended 30 June 2021: HK$8,728,000).

Items of property, plant and equipment with an aggregate net book value of HK$88,000 (six months ended 30 June 2021: HK$42,000) were disposed of by the Group during the six months ended 30 June 2022.

10. INVESTMENT PROPERTIES

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Carrying amount at beginning of period/year	**601,378**	840,182
Fair value gains/(losses), net	**(5,198)**	15,378
Transfer from deposits for purchases of property, plant and equipment, and investment properties	**–**	(261,500)
Exchange realignment	**(12,252)**	7,318
Carrying amount at end of period/year	**583,928**	601,378

The Group's investment properties consist of residential, commercial, serviced apartment and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of five classes of asset, i.e. commercial and serviced apartment in Hong Kong and residential, commercial and industrial in the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2022 based on valuations performed by BMI Appraisals Limited, an independent professional qualified valuer. The Group's finance department which reports directly to the senior management selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance department has discussions with the external valuer on the valuation assumptions and valuation results when the valuation is 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 valuations have been assessed with reference to recent lettings, within the subject properties and other comparable properties. Capitalisation rates are estimated by the valuer 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.

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates how the fair values of the Group's investment properties 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.

				Range	
Investment properties held by the Group	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**30 June 2022**	31 December 2021
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	**HK$23 to HK$72**	HK$23 to HK$80
			Capitalisation rates	**2.1% to 2.6%**	2.2% to 2.7%
Serviced apartment in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	**HK$36 to HK$97**	HK$36 to HK$94
			Capitalisation rates	**2.4%**	2.4%
		Market comparison approach	Prevailing market rates (per sq.ft.)	**HK$17,997 to HK$48,351**	HK$17,900 to HK$47,200
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	**RMB198 to RMB248**	RMB194 to RMB240
			Capitalisation rates	**3.5% to 5.3%**	3.5% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB6,596 to RMB45,896**	RMB6,700 to RMB50,600
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	**RMB12 to RMB47**	RMB15 to RMB46
			Capitalisation rates	**5.5% to 8.5%**	5.5% to 9.0%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rates (per sq.m.)	**RMB10,053 to RMB59,261**	RMB9,200 to RMB62,600
			Capitalisation rates	**2.0% to 3.5%**	2.5% to 3.5%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB10,053 to RMB59,261**	RMB9,200 to RMB62,600

During the six months ended 30 June 2022, 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 2021: Nil).

Under 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 properties.

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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$'000	Serviced apartment in Hong Kong (Unaudited) HK$'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 at 1 January 2022	181,500	138,700	98,545	109,957	72,676	601,378
Fair value gains/(losses), net	(1,700)	(2,000)	(1,275)	585	(808)	(5,198)
Exchange realignment	–	–	(4,293)	(4,792)	(3,167)	(12,252)
Carrying amount at 30 June 2022	179,800	136,700	92,977	105,750	68,701	583,928

11. TRADE AND BILLS RECEIVABLES

The Group's trade receivables represent receivables arising from leasing of investment properties and sale of paint and iron and steel products. The Group normally requires its customers to make payment of monthly rentals in advance in relation to the leasing of investment properties. Tenants are usually required to pay security deposits which are held by the Group. The Group's trading terms of paint and iron and steel businesses with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods ranging from one to three months are usually granted to normal customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables are related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables except for receivables arising from leasing of investment properties require security deposits from the relevant tenants. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Within three months	171,956	201,986
Over three months and within six months	63,720	125,489
Over six months	164,780	124,638
	400,456	452,113

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 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Within three months	**163,726**	328,097
Over three months and within six months	**88,920**	24,265
Over six months	**6,500**	42
	259,146	352,404

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2022, bills payables with an aggregate carrying amount of HK$113,445,000 (31 December 2021: HK$136,543,000) were secured by time deposits of HK$33,018,000 (31 December 2021: HK$40,963,000).

13. SHARE OPTION SCHEMES

Share Option Schemes of the Company

The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012 pursuant to a resolution passed at the annual general meeting of the Company held on the same date.

The 2012 Scheme was terminated by the Company pursuant to a resolution passed at the special general meeting of the Company held on 2 June 2022. Further details are set out in the circular of the Company dated 28 April 2022. During the six months ended 30 June 2022 and 2021, no share options were granted under the 2012 Scheme.

The 2022 Scheme

A new 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 ended 30 June 2022, 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 persons (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 and any customer of the CPM Group) who made contributions to the CPM Group. Unless terminated by resolution in a 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 4 June 2020, 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.

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

13. SHARE OPTION SCHEMES (continued)

Share Option Scheme of CPM (continued)

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 exceeds 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 determinable 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 meetings of CPM.

The summary below sets forth the details of movement of share options granted as at 30 June 2022 pursuant to the CPM Scheme:

				Number of share options				
	Date of grant	**Exercise period** (Note)	**Exercise price per share** HK$	**Outstanding as at 1 January 2022**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Outstanding as at 30 June 2022**
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	–	–	50,000,000
Total				–	80,000,000	–	–	80,000,000

13. SHARE OPTION SCHEMES (continued)

Share Option Scheme of CPM (continued)

Note:

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

(a) 50% of the share options vested on the date of grant of the share options, i.e. 15 June 2022 and would be exercisable from 15 June 2022 to 14 June 2027;

(b) 20% of the share options shall vest on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and would be exercisable from 15 June 2023 to 14 June 2027;

(c) 10% of the share options shall vest on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and would be exercisable from 15 June 2024 to 14 June 2027;

(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 to 14 June 2027; 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 to 14 June 2027.

None of the share options granted during the six months ended 30 June 2022 under the CPM Scheme was exercised, cancelled or lapsed.

The fair value of the share options granted by CPM on 15 June 2022 was HK$8,417,000 (HK$0.1 each) (30 June 2021: Nil), of which the CPM Group recognised share option expenses of HK$4,303,000 during the six months ended 30 June 2022 (30 June 2021: Nil).

The fair value of equity-settled share options granted during the six months ended 30 June 2022 was estimated as at the date of grant, using a Binomial Option Pricing Model (the "Model"), taking into account the terms and conditions upon which the share options were granted. The Model is one of the commonly used models to estimate the fair value of an option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The following table lists the inputs to the Model used:

Dividend yield (%)	1.483
Expected volatility (%)	35.732
Risk-free interest rate (%)	3.172
Contractual life of options (year)	5
Early exercise behaviour (%)	220 and 280 of the exercise price
Exercise price (HK$ per share)	0.335

No other feature of the share options granted was incorporated into the measurement of fair value.

At the end of the reporting period, CPM had 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 80,000,000 additional ordinary shares of CPM and additional share capital of HK$26,800,000 (before issue expenses).

At the date of approval of these financial statements, CPM had 80,000,000 share options outstanding under the CPM Scheme, which represented 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 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	**2,962**	3,822

15. RELATED PARTY TRANSACTIONS

(a) Outstanding balance with related parties

(i) The amount due to an associate included in the Group's current liabilities as at 30 June 2022 of HK$2,800,000 (31 December 2021: HK$2,800,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

(ii) The amount due from an associate included in prepayments, deposits and other receivables as at 30 June 2022 of HK$158,000 (31 December 2021: Nil) is related to the dividend receivable.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
Short-term employee benefits	**1,843**	1,858
Post-employment benefits	**18**	18
Equity-settled share option expenses	**538**	–
Total compensation paid/payable to key management personnel	**2,399**	1,876

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 payable, financial liabilities included in other payables and accruals and deposits received, interest-bearing bank borrowings, and an amount due to an associate approximate to their carrying amounts largely due to the short-term maturities 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 the fair values:

The fair value of the listed equity investments and unlisted club membership debenture are 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 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 technique**	**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

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:

Assets measured at fair value:

	Fair value measurement using			
	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$'000**	**Total (Unaudited) HK$'000**
At 30 June 2022				
Equity investments designated at fair value through other comprehensive income	**–**	**300**	**47,687**	**47,987**
Financial assets at fair value through profit or loss	**4,449**	**–**	**–**	**4,449**
	4,449	**300**	**47,687**	**52,436**

	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$'000	Total (Audited) HK$'000
At 31 December 2021				
Equity investments designated at fair value through other comprehensive income	–	300	47,687	47,987
Financial assets at fair value through profit or loss	6,418	–	–	6,418
	6,418	300	47,687	54,405

The movements in the fair value measurements in Level 3 during the period are as follows:

	2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January and 30 June	**47,687**	47,676

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the six months ended 30 June 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (six months ended 30 June 2021: 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 30 August 2022.

Management Discussion and Analysis

The Group is principally engaged in property investment business, hotel business, iron and steel trading business and paint and coating business through the CPM Group. The Group also holds certain equity and securities for investment purpose and is the owner of a parcel of land in Hong Kong held for re-development purpose. Further information on the paint and coating business is also set forth in the interim report of CPM for the six months ended 30 June 2022 (the "2022 First Six-month Period").

BUSINESS REVIEW

During the 2022 First Six-month Period, the Group recorded a loss attributable to the Shareholders of HK$46.08 million, as compared to a profit attributable to the Shareholders of HK$4.29 million for the six months ended 30 June 2021 (the "2021 First Six-month Period"). The loss incurred by the Group for the 2022 First Six-month Period was primarily due to the combined effect of (a) the net fair value losses of approximately HK$5.20 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 30 June 2022, as compared with the net fair value gains of approximately HK$15.54 million as at 30 June 2021; and (b) the loss incurred by the CPM Group for the 2022 First Six-month Period of HK$50.38 million.

Including the revenue generated by the CPM Group, the revenue of the Group during the 2022 First Six-month Period amounted to HK$319.94 million, representing a decrease of 26.1% from HK$432.67 million for the 2021 First Six-month Period. The amount of gross profit of the Group for the 2022 First Six-month Period amounted to HK$68.13 million, representing a decrease of 37.5% from HK$109.01 million for the 2021 First Six-month Period. The decreases in the Group's revenue and gross profit were both primarily due to the decrease in the revenue and the corresponding decrease in the amount of gross profit of the CPM Group during the 2022 First Six-month Period.

The revenue of the paint and coating business of the CPM Group accounted for 96.9% of the Group's revenue for the 2022 First Six-month Period, as compared to 93.3% of the same for the 2021 First Six-month Period.

Paint and Coating Business

General Industry Background

During the first half of 2022, industries in Mainland China generally recorded a slow growth, as compared with the first half of 2021, which was primarily due to the absence of the effect of the strong economic rebound in the first half of 2021 and the stringent lockdown measures implemented in certain regions in Mainland China since March 2022, which affected the industrial production and impeded the logistic flows of the supply chain. According to the National Bureau of Statistics of China (the "NBSC"), the growth rate for the gross domestic product ("GDP") in Mainland China decreased by 10.2 percentage points from 12.7% to 2.5% in the first half of 2022, as compared to the first half of 2021. China's economy did not experience any strong recovery in the first half of 2022 and repeated lockdowns were imposed for the prevention of the widespread of the COVID-19 pandemic in different provinces or cities in Mainland China in the first half of 2022, resulting in aggregate a decrease of 13.5 percentage points in the GDP growth to 4.8% during the first quarter of 2022, and a 7.5 percentage points decrease to 0.4% during the second quarter of 2022. In addition, according to the Hong Kong Census and Statistics Department, Hong Kong's GDP decreased by 3.9% during the first quarter of 2022 and is expected to continue to decrease by 1.3% during the second quarter of 2022.

Due to the stringent lockdown measures in certain regions in Mainland China since March 2022 and the adjustments in Mainland China property market, the sluggish economy has led to the continuous weak demand for paint and coating products in Mainland China, especially in (i) the real estate industry; (ii) the manufacturing industry; (iii) the retail business of decorating paint and coating products; and (iv) the sales of the furniture paint and coating products.

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

General Industry Background (continued)

For the real estate industry in Mainland China, the cumulative construction area of construction-in-progress projects decreased by 2.8% in the first half of 2022, as compared to an increase of 10.2% in the first half of 2021. Furthermore, the cumulative completion area decreased by 21.5% in the first half of 2022, as compared to an increase of 25.7% in the first half of 2021.

As to the manufacturing industry in Mainland China, the average capacity utilisation rate in the first half of 2022 decreased by 2.5%, as compared to a growth of 6.8% in the first half of 2021. In particular, the average capacity utilisation rate of the automotive sector and the electrical machinery and equipment manufacturing sector decreased by 5.5% and 4.8%, respectively, in the first half of 2022, as compared to an increase of 9.4% and 7.7%, respectively, in the first half of 2021.

The retail sales of construction and decorative paint and coating products in the first half of 2022 decreased by 2.9%, as compared to an increase of 32.9% in the first half of 2021. Retail sales of paint and coating products for furniture goods, including furniture manufacturing purpose, decreased by 9.0% in the first half of 2022, as compared to an increase of 30.0% in the first half of 2021. Crude oil prices remained at a high price level in the first half of 2022. Meanwhile, several other paint and coating manufacturers have formulated aggressive pricing strategies by offering deep-discount sales to attract wholesale distributors and retail distributors in Mainland China and Hong Kong. In March 2022, the China National Coatings Industry Association issued the first profit warning for Mainland China's paint industry in 2022, urging companies in the industry to monitor the operating conditions, such as revenue and profit, and adjust business strategies based on market changes and fluctuations in the upstream supply and prices of raw materials.

In Hong Kong's real estate market, the number of sale and purchase agreements for residential and non-residential premises decreased by 34.8% from 50,336 units to 32,828 units in the first half of 2022, as compared to an increase of 53.7% in the first half of 2021.

Segmental Results

The revenue of the CPM Group decreased by 23.2% to HK$310.15 million during the 2022 First Six-month Period as compared to HK$403.80 million for the 2021 First Six-month Period. The CPM Group's gross profit for the 2022 First Six-month Period decreased by 32.3% to HK$62.50 million for the 2022 First Six-month Period as compared to HK$92.32 million for the 2021 First Six-month Period. During the 2022 First Six-month Period, the segment loss amounted to HK$48.24 million as compared to that of HK$14.66 million for the 2021 First Six-month Period. The increase in the loss during the 2022 First Six-month Period was primarily attributed to the combination of the following factors:

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

The CPM Group's revenue generated from the construction and renovation contractors for property and infrastructure projects in Mainland China significantly decreased by 39.7% to HK$104.19 million for the 2022 First Six-month Period, as compared to the 2021 Six-month Period. According to the NBSC's information on the real estate industry in Mainland China in the first half of 2022, there were a 2.8% decrease in the cumulative construction area of construction-in-progress projects and a 21.5% decrease in the cumulative completion area, as compared to the first half of 2021. Reasons for the delay in new residential and commercial property projects include (i) the negative impact on the recurrent COVID-19 waves in Mainland China, which led to lockdown in several regions, in particular, Shanghai, affecting the logistics arrangement and transportation; (ii) property developers in Mainland China have experienced a downturn in the property market due to the ongoing deleveraging by the Chinese government; and (iii) the rising price of construction materials due to the shortage of supply.

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

Segmental Results (continued)

In the first half of 2022, the pre-sale area of several leading real estate developers in Mainland China recorded a significant decrease between 32% and 59%. It is inevitable that revenue generated by construction and renovation contractors on property and infrastructure projects in Mainland China will decrease as the market environment changes and most companies strive to enhance the brand and network competitiveness in order to expand the customer base.

Significant decrease in the sales to the wholesale distributors and retail distributors in Mainland China

The CPM Group recorded a 23.5% decrease in revenue generated from wholesale distributors and retail distributors in Mainland China for the 2022 First Six-month Period, as compared to the 2021 First Six-month Period. It was primarily due to the lockdowns in certain regions in Mainland China during the 2022 First Six-month Period. Multiple cases of COVID-19 were detected in Shenzhen in March 2022 and it was immediately placed under a strict lockdown, with public transportation suspended and mass COVID-19 polymerase chain reaction (PCR) tests conducted. Since then, the COVID-19 has been detected in several regions in Southern China (especially Guangzhou and Dongguan), Eastern China and Central China, and the Chinese government has taken similar strict measures against these places. By the end of June 2022, Shanghai was still under a strict lockdown, which started in April 2022. Furthermore, the intense competition of the paint and coating industry in Mainland China was another factor causing such significant decrease in revenue.

Cost of raw materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for a substantial portion of the total cost of raw materials. Prices of such raw materials are directly or indirectly affected by crude oil prices. Given that crude oil prices recorded a 66.0% increase per barrel, with its highest price reached US$130 per barrel since March 2022, raw materials prices surged. In addition, the shortage in supply of raw materials caused further increases in raw materials prices. For the 2022 First Six-month Period, the percentage of the cost of raw materials to revenue of the CPM Group increased by 1.0% from 67.9% to 68.6%.

Gross Profit Margin and Gross Profit of the CPM Group's Products

As mentioned above, the paint and coating industry has been under pressure from high raw materials costs due to high international crude oil prices and a shortage in refining capacity, resulting in insufficient global supply of raw materials. According to the NBSC, crude oil processing volume in Mainland China decreased by 6.0%, which was one of the main reasons for the surge in prices of raw materials used in manufacturing of the paint and coating industry. During the 2022 First Six-month Period, despite multiple attempts by the CPM Group in adjusting the selling prices of paint and coating products, such price adjustments were unable to offset the rise in raw materials costs. The CPM Group recorded a 23.2% decrease in revenue and an 11.8% decrease in gross profit margin for the 2022 First Six-month Period. The CPM Group's loss attributable to its owners of the parent company increased to HK$50.38 million for the 2022 First Six-month Period from HK$16.79 million for the 2021 First Six-month Period.

BUSINESS REVIEW (continued)

Paint and Coating Business (continued)

Selling and Distribution Expenses and Administrative Expenses

For the 2022 First Six-month Period, the selling and distribution expenses of the CPM Group significantly decreased by 10.8% to HK$46.92 million. Such decrease was primarily due to (i) an 18.5% decrease in transportation costs alongside a 23.2% decrease in the sales revenue; (ii) an 18.4% decrease in the advertising and promotion expenses as it was largely reduced for the 2022 First Six-month Period; and (iii) a 25.4% decrease in travelling costs as it was largely reduced for the 2022 First Six-month Period due to the then restrictions on business and social activities. In particular, the ratio of transportation costs to revenue increased by 6.10% to 4.52% during the six months ended 30 June 2022 from 4.26% in the first half of 2021, which was primarily due to the significant increase in the diesel price in Mainland China during the period. According to the announcement on the adjustment on the domestic refined oil prices issued by the National Development and Reform Commission, the average monthly diesel prices recorded a year-to-year increase of 30% during the 2022 First Six-month Period.

Administration expenses of the CPM Group increased by 7.1% to HK$58.43 million for the 2022 First Six-month Period, as compared to the 2021 First Six-month Period. Such increase was primarily due to the incurrence of share option expenses of HK$4.30 million which were non-cash expenses for the 2022 First Six-month Period. Excluding the share option expenses, the administration expenses slightly decreased by 0.8%, as compared to the 2021 First Six-month Period.

Latest Progress in the New Product Research and Development Centre in Mainland China

In April 2022, the CPM Group identified the office premises in Shenzhen for setting up a new product research and development centre (the "New R&D Centre"). The acquisition of this office premises of approximately HK$17.11 million was completed in May 2022. The CPM Group expects that the commencement of business operation of the New R&D Centre would be in September 2022.

The establishment of the New R&D Centre is in line with the strategy of the CPM Group to focus on encouraging and promoting Shenzhen as an important base for high-tech research and development in Southern China and more importantly, to employ high caliber candidates for the support of further development of paint and coating products in Southern China.

Property Investment Business

Investment Properties

As at 30 June 2022, the investment property portfolio held by the Group included 16 properties with total gross floor area of 313,884 square feet, which comprised residential, commercial, serviced apartment and industrial properties in Hong Kong and in Mainland China, with the aim to generate stable recurring income and cash flow for long-term investment purposes. The 16 properties were the same properties as held by the Group as at 31 December 2021. The aggregate market value of the investment properties held by the Group amounted to HK$583.93 million as at 30 June 2022 as compared to HK$601.38 million as at 31 December 2021, representing a decrease of 2.9%. The decrease in the market value of the investment properties was primarily due to the record of fair value losses on the investment properties and the depreciation of Renminbi against Hong Kong dollars as at 30 June 2022.

The revenue generated from the property investment business for the 2022 First Six-month Period amounted to HK$8.13 million as compared to HK$15.81 million for the 2021 First Six-month Period. The significant decrease in revenue was due to the early termination of a tenancy agreement with Tang's Living Guest House (Morrison Hill Road) Limited ("Tang's Living"), the tenant of the hotel of the Group, on 8 November 2021.

BUSINESS REVIEW (continued)

Property Investment Business (continued)

Investment Properties (continued)

The average occupancy rate for the 2022 First Six-month Period was 87.7% as compared to 96.7% for the 2021 First Six-month Period. Such decrease was primarily due to the expiration and non-renewal of tenancy agreements for an industrial property in Mainland China. Segment profit for the 2022 First Six-month Period amounted to HK$4.01 million as compared to HK$28.84 million for the 2021 First Six-month Period. The significant decrease in the segmental profit was primarily due to the net fair value losses of HK$5.20 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2022, as compared to fair value gains of HK$15.54 million for the 2021 First Six-month Period. The fair value losses for the 2022 First Six-month Period followed the general market conditions of the residential, commercial, serviced apartment and industrial property market in Hong Kong and Mainland China.

On 8 November 2021, a surrender agreement was entered into between the Group and Tang's Living, pursuant to which Tang's Living committed its payment of the outstanding rents to the Group in respect of a hotel located in Wan Chai, Hong Kong (the "Wan Chai Hotel") for the period from 1 January 2021 to 31 May 2022, being the expiry date of the original tenancy agreement, with a rent free period of three months. All outstanding rental payments were settled up to May 2022. The Wan Chai Hotel was handed over to the Group on 8 November 2021. In December 2021, the Group engaged a hotel management consultant (the "Operator") for the management and operation of the Wan Chai Hotel for a period of five years. Further details of the hotel operation of the Group are set forth in the section headed "Hotel Business" below.

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

Property under Development

The Group has been the owner of a parcel of land situated at Au Tau, Nam Sang Wai, Yuen Long (the "Au Tau Land") since 2007. The Au Tau Land, with a site area of 3,663.9 square meters, has been categorised as a property under development of the Group as the Group has striven more than 10 years to submit different redevelopment plans for the Au Tau Land taking into consideration the natural surroundings and the heritage value of Pun Uk (潘屋, or "Mansion of the Puns") which was built in the 1930s and is currently a Grade 1 historical building as confirmed by the Antiques Advisory Board. Pun Uk is a traditional Hakka (客家) mansion with Qing vernacular design features. The building design and the environmental settings of its two-hall-two-row plan with a half-moon shaped pond in front of the mansion demonstrate a strong cultural and historical identity for the local building architecture. The mansion, which is currently left and in deteriorating condition, is also decorated with carvings, wall paintings, plastered mouldings of auspicious motifs of birds, plants, flowers, animals and characters. Due to the heritage value of Pun Uk, any redevelopment on the Au Tau Land will have to include the preservation of Pun Uk, the promotion of the heritage value and the achievement of a commercial project that can generate reasonable economic return and prosperity. In August 2022, the Rural and New Town Planning Committee of the Town Planning Board has 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 shall be valid for 4 years until August 2026. With the increasing demand for elderly home services in Hong Kong generally, the directors of the Company believe that the Re-development Project will benefit the Group and the society as a whole.

BUSINESS REVIEW (continued)

Property under Development (continued)

Under the Re-development Project, there will be three non-domestic buildings comprises the existing Pun Uk and two new blocks to be constructed which will house the elderly home and the related facilities. Pun Uk will be revitalised and certain areas will also be used as the regional recreation, sports and cultural facilities for Yuen Long. The directors of the Company believe that the Re-development Project will fully utilise and release the intrinsic economic value of the Au Tau Land and strike a balance between preservation and economic development.

The directors of the Company are actively considering different funding and operational proposals for the Re-development Project and will issue further announcements as and when appropriate.

Hotel Business

In December 2021, the Group appointed the Operator to manage and run the daily operation of the Wan Chai Hotel under the brand name of "J Link Hotel". The Operator is experienced in managing small to medium-sized hotels. Following the completion of renovation and redecoration works, the J Link Hotel has commenced its soft opening in March 2022 with a total number of 80 rooms. During the 2022 First Six-month Period, the average number of available room nights was 53 and the average occupancy rate based on available rooms was approximately 80%. As the hotel business was at a beginning stage, the net loss for the 2022 First Six-month Period amounted to HK$3.15 million was recorded.

Target customers of the J Link Hotel include international travelers and Hong Kong residents under the boom of staycation. Currently, travel restrictions in Hong Kong have resulted in lower demand in room occupancy and adversely impacted the average room rates.

Iron and Steel Trading Business

The Group is currently trading in ferrous metals and specialises in tinplate trading.

In view of severe competition and the sluggish economic conditions in the domestic economy in Mainland China, the revenue generated from the iron and steel trading business significantly decreased by 95.1% to HK$0.64 million for the 2022 First Six-month Period, as compared to HK$13.06 million for the 2021 First Six-month Period.

The gross profit margin, however, increased from 6.7% for the 2021 First Six-month Period to 27.2% for the 2022 First Six-month Period. The increase in gross profit margin was primarily due to the write back of inventories during the 2022 First Six-month Period. Segment loss for the 2022 Six-month Period amounted to HK$0.13 million as compared to a segment profit of HK$1.13 million for the 2021 First Six-month Period, which was primarily due to the decrease in revenue as a result of a downsizing of the iron and steel trading business.

Other Business

Equity Investments Designated at Fair Value through Other Comprehensive Income

The Group owns 12.5% equity interest in Profitable Industries Limited, 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" with principal activities of the development, construction, management and operation of a cemetery. The main types of products of the Cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

BUSINESS REVIEW (continued)

Other Business (continued)

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

According to the information in the annual report of Chuang's China Investments Limited (stock code: 298) for the year ended 31 March 2022, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. For Phase II and Phase III, land use rights of approximately 143 mu have been obtained, which will accommodate a total of 22,569 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu had been obtained and additional land quota of about 119.8 mu shall be required for the construction of a total of about 19,246 grave plots. As for the 150 mu of road access and greenbelts, the Cemetery will ascertain the arrangement required by the local authorities. Upon obtaining of the aforesaid land use rights, site formation works have commenced on parts of the land but residents on parts of the site refused to vacate and demanded for compensation to be paid by the local government. In July 2021, the Cemetery had entered into a supplemental agreement with 四會市自然資源局 (Sihui Municipal Bureau of Natural Resources) and obtained approval from the local government for the extension for commencement of works by January 2022, and the works have commenced accordingly.

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 Assets at Fair Value through Profit or Loss

Since 2021, the Group has allocated HK$10.00 million for the investment in listed securities. The Group appointed an investment fund manager to operate the investment fund in order to take the advantage of professional analysis and expertise as well as the risk management in the global financial markets.

For the 2022 First Six-month Period, the investment has recorded realised net losses on investment in listed securities of HK$0.35 million and unrealised net fair value losses on investment in listed securities of HK$0.42 million.

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to HK$338.44 million as at 30 June 2022 as compared to HK$455.17 million as at 31 December 2021. The decrease in cash and cash equivalents was primarily due to the change in working capital. The total cash and bank balances, including pledged deposits, amounted to HK$373.33 million as at 30 June 2022 as compared to HK$497.47 million as at 31 December 2021.

Bank borrowings amounted to HK$285.03 million as at 30 June 2022 as compared to HK$269.21 million as at 31 December 2021. The Group's bank borrowings mainly bear interest at floating rates. The Group's total bank borrowings as at 30 June 2022 amounted to HK$285.03 million (100.0%) was payable within one year.

The Group's cash and bank balances and bank borrowings are mainly denominated in Hong Kong dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2022. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

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 20.0% as at 30 June 2022 as compared to 17.4% as at 31 December 2021. 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 2022 as compared to 1.55 times as at 31 December 2021.

For the 2022 First Six-month Period, the inventory turnover days[1] were 48 days as compared to 56 days for the 2021 First Six-month Period. The trade and bills receivables turnover days[2] for the 2022 First Six-month Period were 227 days as compared to 173 days for the 2021 First Six-month Period. The increase in the trade and bills receivables turnover days was primarily due to the decrease in revenue as well as the increase in trade receivables which were past due over six months.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2022 was HK$1,428.66 million as compared to HK$1,546.00 million as at 31 December 2021. Net asset value per share as at 30 June 2022 was HK$0.81 as compared to HK$0.88 as at 31 December 2021. Shareholders' funds per share as at 30 June 2022 was HK$0.75 as compared to HK$0.81 as at 31 December 2021. 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 2022 and 31 December 2021, 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 HK$602.59 million as at 30 June 2022 (31 December 2021: HK$520.81 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities and bills payable. As at 30 June 2022, the total outstanding secured bank borrowings amounted to HK$285.03 million as compared to HK$189.21 million as at 31 December 2021, lease liabilities amounted to HK$0.05 million as at 30 June 2022 as compared to HK$0.30 million as at 31 December 2021, and bills payable amounted to HK$113.45 million as at 30 June 2022 as compared to HK$136.54 million as at 31 December 2021.

STAFF

As at 30 June 2022, the Group employed a total of 698 employees, as compared to 813 employees as at 30 June 2021. Staff costs (excluding directors' emoluments) amounted to HK$70.97 million (including the share option expenses of HK$3.23 million) for the 2022 First Six-month Period as compared to HK$68.78 million for the 2021 First Six-month Period. The Group's staff remuneration and benefits system remain competitive.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 181 days (30 June 2021: 181 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 181 days (30 June 2021: 181 days).

BUSINESS OUTLOOK

Although the COVID-19 pandemic is generally under control in most countries, the growth in the global economy would be slow during the second half of 2022 because of the impact of the COVID-19 pandemic, geopolitical tensions in different regions and the Russia-Ukraine conflict. Consequently, the fluctuations in the raw material prices which could interrupt in the global supply chain system. Furthermore, the US inflation would be accelerated which would affect the interest rates generally and the recovery pace of the global economy.

Mainland China's economy is expected to experience a stable recovery with the control of the COVID-19 pandemic throughout the country. In August 2022, the People's Bank of China (the "PBOC") reduced the base rate to provide banks with additional short-term liquidity. In an effort to maintain sufficient liquidity in the banking system, the PBOC has reduced the one-year loan prime rate from 3.70% per annum to 3.65% per annum.

For the paint and coating business, the CPM Group has increased the inventory of work-in-progress. If there were another city lockdown in Southern China, the CPM Group would have adjusted the production plan for the paint and coating products amongst different production plants and designated original equipment manufacturers (OEMs).

Looking forward to the second half of 2022, the Chinese government is expected to continue to focus on and promote a stable economic growth. The PBOC has recently announced that it would adopt a contracting monetary policy during the second half of 2022 for the purpose of preventing inflation. Although the CPM Group's gross profit margin has improved on a quarterly basis since the last quarter of 2021, the CPM Group will remain vigilant and prepare for any further industry-wide deterioration in the paint and coating industry in Mainland China and Hong Kong.

In addition, in order to maintain the CPM Group's gross profit margin in Mainland China and Hong Kong, the CPM Group has formulated a series of business development plan of launching new paint products, in particular, with fire resistance and antiviral technology, to the market in the second half of 2022. The CPM Group will also review the locations as well as the production efficiency of each of its existing production plants. If the OEM can satisfy the production needs without compromising the product quality, the CPM Group would continue to enhance the OEM approach and the existing production plants, including its usage, would be re-examined. As part of the CPM Group's ongoing efforts to enhance its shareholder value in the long run and maintain long-term relationships with customers, the CPM Group will continue to rationalise the capability of its production facilities for paint and coating products for the purpose of ensuring a reliable, adequate and high-quality supply at the most efficient manner. The range of paint and coating products will be further streamlined and the production and sale of several less popular paint and coating products will be temporarily suspended for two years. The CPM Group will continue to look for business and acquisition opportunities that can promote the development of the paint and coating business in Mainland China. Given the continuous integration and upgrading of production facilities in the Guangdong-Hong Kong-Macao Greater Bay Area, the CPM Group is in a good position to seize the opportunities that may arise during this unique challenging period.

The CPM Group recognises the importance of continuous improvements in its business operations and profitability. The CPM Group believes that the core business initiatives, including adopting appropriate pricing strategies for paint and coating products, improving the procurement and sourcing processes, standardisation of packaging and termination of product lines with low gross profit margin remain effective and necessary. In addition, the CPM Group will enhance the OEM collaborations with paint and coating manufacturers to amplify its market share in Mainland China.

The impact of the COVID-19 pandemic slowed down the pace of recovery of the property leasing market in Beijing and Shanghai in the first and second quarters of 2022. Vacancy rates rebounded and rents fell. It is expected that the leasing market in Mainland China will remain under pressure.

BUSINESS OUTLOOK (continued)

For the property leasing market in Hong Kong, the work-from-home arrangements under the pandemic are likely to reduce the demand for office space and thus affect the level of rental. However, small and medium-sized companies are still relying on physical setup and therefore it is expected that the demand from these companies would continue to improve in the near future. Furthermore, the office leasing would improve when the cross-border travelling between Hong Kong and Mainland China resumes. Office rents are expected to remain generally stable for the second half of 2022.

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

For the iron and steel trading business, the Group is considering a downsizing of this business in view of the insignificant scale of business operation and the uncertainty of the economic environment.

For the hotel business, the Hong Kong government has recently loosened the inbound quarantine requirements to a "3-night hotel stay + 4-night medical surveillance" quarantine arrangement. This policy is seen as a positive step to help facilitate travel to Hong Kong for international passengers. Moreover, the Hong Kong government is exploring possible ways to completely remove the COVID-related restrictions for aircrew and passengers so as to maintain Hong Kong as an international aviation hub. It is likely that the number of inbound travelers in the second half of 2022 will gradually increase.

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

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

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022, 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:

		Number of shares					
Name	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of the total number of shares in issue**
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	523,689,620 (Note)	–	523,689,620	27.50%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	–	–	–	503,374	0.02%

Note: The 523,689,620 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 2022, 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.

SHARE OPTIONS

Share Option Schemes of the Company

The 2012 Scheme

The share option scheme adopted by the Company on 28 June 2012 (the "2012 Scheme") was terminated by the Company pursuant to a resolution passed at the special general meeting of the Company held on 2 June 2022. From the date of adoption of the 2012 Scheme up to the period ended 30 June 2022, no share option has been granted under the 2012 Scheme.

The 2022 Scheme

A new share option scheme was adopted by the Company on 2 June 2022 (the "2022 Scheme"). From the date of adoption of the 2022 Scheme up to the period ended 30 June 2022, no share option has been granted under the 2022 Scheme.

Share Option Scheme of CPM

On 15 June 2022, CPM granted 80,000,000 share options to its directors and employees of the CPM Group under the CPM Scheme. Details of the movements in the share options granted by CPM under the CPM Scheme during the review period are as follows:

				Number of share options				
Name	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2022
Directors of CPM								
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	–	10,000,000	–	–	10,000,000
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	–	10,000,000	–	–	10,000,000
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	–	–	50,000,000
				–	80,000,000	–	–	80,000,000

Notes:

(1) The above share options granted have the vesting period and would be exercisable as follows:

(a) 50% of the share options vested on and would be exercisable from the date of grant of the share options, i.e. 15 June 2022;

(b) 20% of the share options shall vest on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and would be exercisable from 15 June 2023;

(c) 10% of the share options shall vest on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and would be 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) Details of the value of the share options granted under the CPM Scheme are set out in note 13 to the financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2022, 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	523,689,620	–	27.50%
Ho Mei Po, Mabel	2	Interest of spouse	523,689,620	–	27.50%
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%

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

Notes:

(1) The 523,689,620 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 523,689,620 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 2022. 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 2022. The Company has not been informed on any decrease 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 54.26% 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 2022 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 2022, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS

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

(1) The monthly salary of Mr. Chong Chi Kwan has been increased from HK$100,000 to HK$110,000 with effect from 1 July 2022.

(2) Mr. Chan Wa Shek resigned as a non-executive director of the Company with effect from 23 August 2022.

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 10 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 2022.

UPDATE ON DERIVATIVE ACTION

As disclosed in the announcement of the Company dated 20 April 2022 (the "Announcement"), the derivative action (the "Derivative Action") initiated by Chinaculture.com Limited against certain directors of the Company and the Company was dismissed according to the written judgement in the Derivative Action (the "Judgement") handed down by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 20 April 2022. Information about the Judgement has been set forth in the Announcement.

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

Hong Kong, 30 August 2022