CNT GROUP LIMITED
北 海 集 團 有 限 公 司

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS

FINANCIAL HIGHLIGHTS

Results	**Year ended 31 December 2022 HK$'000**	2021 HK$'000 (Restated)	**Change** %
Revenue	**665,591**	885,473	-24.8
Gross profit	**156,162**	200,585	-22.1
Gross profit margin	**23.5%**	22.7%	3.5
Loss for the year	**(118,989)**	(35,428)	235.9
Loss attributable to:			
Shareholders of the Company	**(94,081)**	(20,633)	356.0
Non-controlling interests	**(24,908)**	(14,795)	68.4
Loss per share (HK cents)			
Basic and diluted	**(4.94)**	(1.08)	357.4

Financial Position	**As at 31 December 2022 HK$'000**	As at 31 December 2021 HK$'000	Change %
Cash and cash equivalents and pledged deposits	**429,076**	497,473	-13.7
Bank borrowings	**289,116**	269,207	7.4
Gearing ratio	**19.9%**	17.4%	14.4
Net asset value per share (HK$)	**0.83**	0.88	-5.7
Shareholders' funds per share (HK$)	**0.76**	0.81	-6.2

The board of directors (the "Board") of CNT Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 together with comparative amounts for the corresponding year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000 (Restated)
REVENUE	4	**665,591**	885,473
Cost of sales		**(509,429)**	(684,888)
Gross profit		**156,162**	200,585
Other income and gains, net	4	**44,446**	14,218
Selling and distribution expenses		**(89,567)**	(106,376)
Administrative expenses		**(148,716)**	(132,469)
Other expenses, net		**(60,841)**	(21,915)
Fair value gains/(losses) on investment properties, net	11	**(15,391)**	15,378
Finance costs	5	**(8,272)**	(5,692)
Share of profits and losses of an associate, net		**1,724**	1,745
LOSS BEFORE TAX	6	**(120,455)**	(34,526)
Income tax credit/(expense)	7	**1,466**	(902)
LOSS FOR THE YEAR		**(118,989)**	(35,428)
ATTRIBUTABLE TO:			
Owners of the parent		**(94,081)**	(20,633)
Non-controlling interests		**(24,908)**	(14,795)
		(118,989)	(35,428)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**HK(4.94) cents**	HK(1.08) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	HK$'000	HK$'000
LOSS FOR THE YEAR	**(118,989)**	(35,428)
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	**(67,480)**	24,661
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(5,883)**	11
Gain on property revaluation	**154,698**	–
Income tax effect	**(23,204)**	–
	131,494	–
Remeasurement of net pension scheme assets	**(1,438)**	132
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**124,173**	143
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**56,693**	24,804
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(62,296)**	(10,624)
ATTRIBUTABLE TO:		
Owners of the parent	**(57,356)**	(601)
Non-controlling interests	**(4,940)**	(10,023)
	(62,296)	(10,624)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**471,004**	514,808
Investment properties	11	**729,079**	601,378
Properties under development		**28,000**	28,000
Deposits		**500**	282
Right-of-use assets		**97,975**	97,770
Interest in an associate		**2,707**	2,722
Equity investments designated at fair value through other comprehensive income		**42,104**	47,987
Deposits for purchases of property, plant and equipment		**4,308**	4,850
Net pension scheme assets		**–**	5,548
Deferred tax assets		**15,542**	18,503
Total non-current assets		**1,391,219**	1,321,848
CURRENT ASSETS			
Inventories		**43,124**	82,082
Trade and bills receivables	12	**370,601**	452,113
Prepayments, deposits and other receivables		**67,080**	81,280
Financial assets at fair value through profit or loss		**407**	6,418
Pledged deposits		**42,202**	42,308
Cash and cash equivalents		**386,874**	455,165
Total current assets		**910,288**	1,119,366
CURRENT LIABILITIES			
Trade and bills payables	13	**260,778**	352,404
Other payables and accruals		**86,184**	85,232
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**289,116**	269,207
Lease liabilities		**3,571**	2,781
Tax payable		**10,796**	11,741
Total current liabilities		**653,245**	724,165
NET CURRENT ASSETS		**257,043**	395,201
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,648,262**	1,717,049

	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**5,213**	746
Deferred tax liabilities	**51,576**	33,369
Deferred income	**635**	1,002
Deposits received	**3,665**	–
Total non-current liabilities	**61,089**	35,117
Net assets	**1,587,173**	1,681,932
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,260,200**	1,355,629
	1,450,569	1,545,998
Non-controlling interests	**136,604**	135,934
Total equity	**1,587,173**	1,681,932

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's 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 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* (the "Conceptual Framework") 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 business combinations occurred during the year, 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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 at 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.

(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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment segment comprises:

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

  (ii) the development and sale of properties;

(c) the hotel business; and

(d) the others segment comprises, principally, investment holding, securities trading and trading of iron and steel products.

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.

During the year ended 31 December 2022, the Group changed the internal reporting structure for making decision about resource allocation. The trading of iron and steel products previously reported under the "Iron and steel trading" segment has been reorganised into the "Others" segment. Also, the board of directors of one of the subsidiaries of CPM Group Limited (the "CPM", together with its subsidiaries, the "CPM Group") has resolved that additional resources would continuously be deployed to the property investment business and accordingly, the property investment business is redesignated by the board of directors of the Company as one of the principal businesses of the CPM Group. Accordingly, the amounts previously under this reportable operating segment have been reclassified to conform with the current year's presentation.

Year ended 31 December 2022	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	**639,134**	**19,983**	**4,828**	**1,646**	**665,591**
Intersegment sales	**–**	**4,696**	**–**	**–**	**4,696**
Other revenue and gains	**36,403**	**4,448**	**300**	**(1,456)**	**39,695**
	675,537	**29,127**	**5,128**	**190**	**709,982**
Reconciliation:					
Elimination of intersegment sales					**(4,696)**
Total					**705,286**
Segment results	**(86,366)**	**7,777**	**(6,075)**	**(3,557)**	**(88,221)**
Reconciliation:					
Elimination of intersegment results					**(609)**
Interest income					**4,751**
Finance costs					**(8,272)**
Corporate and other unallocated expenses					**(28,104)**
Loss before tax					**(120,455)**

Year ended 31 December 2022	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment assets	**894,058**	**845,651**	**282,379**	**69,661**	**2,091,749**
Reconciliation:					
Elimination of intersegment receivables					**(785)**
Corporate and other unallocated assets					**210,543**
Total assets					**2,301,507**
Segment liabilities	**594,580**	**104,731**	**9,408**	**2,917**	**711,636**
Reconciliation:					
Elimination of intersegment payables					**(785)**
Corporate and other unallocated liabilities					**3,483**
Total liabilities					**714,334**
Other segment information					
Share of profits and losses of an associate	**–**	**(1,724)**	**–**	**–**	**(1,724)**
Interests in an associate	**–**	**2,707**	**–**	**–**	**2,707**
Depreciation on property, plant and equipment	**25,706**	**2,177**	**1,841**	**19**	**29,743**
Corporate and other unallocated depreciation					**9**
					29,752
Depreciation on right-of-use assets	**7,170**	**609**	**–**	**–**	**7,779**
Corporate and other unallocated depreciation					**14**
					7,793
Capital expenditure	**21,736**	**1,396**	**–**	**–**	**23,132**
Corporate and other unallocated capital expenditure					**23**
					23,155*
Fair value losses on investment properties, net	**–**	**15,391**	**–**	**–**	**15,391**
Provision/(reversal of provision) for impairment of trade and bills receivables	**16,308**	**(1,198)**	**–**	**(90)**	**15,020**
Trade receivables written off as uncollectible	**522**	**–**	**–**	**–**	**522**
Provision for impairment of property, plant and equipment	**1,855**	**–**	**–**	**–**	**1,855**
Provision for impairment of right-of-use assets	**6,145**	**–**	**–**	**–**	**6,145**
Reversal of provision of inventories to net realisable value, net	**(135)**	**–**	**–**	**(815)**	**(950)**

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and deposits for purchases of property, plant and equipment.

Year ended 31 December 2021	Paint products HK$'000 (Restated)	Property investment HK$'000 (Restated)	Hotel business HK$'000	Others HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue					
Sales to external customers	838,066	34,005	–	13,402	885,473
Intersegment sales	–	4,719	–	–	4,719
Other revenue and gains	5,437	20,819	67	244	26,567
	843,503	59,543	67	13,646	916,759
Reconciliation:					
Elimination of intersegment sales					(4,719)
Total					912,040
Segment results	(55,604)	47,298	(857)	956	(8,207)
Reconciliation:					
Elimination of intersegment results					(91)
Interest income					3,029
Finance costs					(5,692)
Corporate and other unallocated expenses					(23,565)
Loss before tax					(34,526)
Segment assets	1,101,475	727,366	287,037	75,060	2,190,938
Reconciliation:					
Elimination of intersegment receivables					(796)
Corporate and other unallocated assets					251,072
Total assets					2,441,214
Segment liabilities	658,651	85,582	9,313	1,223	754,769
Reconciliation:					
Elimination of intersegment payables					(796)
Corporate and other unallocated liabilities					5,309
Total liabilities					759,282

Year ended 31 December 2021	Paint products HK$'000 (Restated)	Property investment HK$'000 (Restated)	Hotel business HK$'000	Others HK$'000 (Restated)	Total HK$'000
Other segment information					
Share of profits and losses of an associate	–	(1,745)	–	–	(1,745)
Interests in an associate	–	2,722	–	–	2,722
Depreciation on property, plant and equipment	24,921	2,153	144	19	27,237
Corporate and other unallocated depreciation					14
					27,251
Depreciation on right-of-use assets	6,745	610	–	–	7,355
Corporate and other unallocated depreciation					14
					7,369
Capital expenditure	18,228	79	–	–	18,307
Corporate and other unallocated capital expenditure					9
					18,316*
Fair value gains on investment properties, net	–	(15,378)	–	–	(15,378)
Provision/(reversal of provision) for impairment of trade and bills receivables	4,566	1,198	–	(1,201)	4,563
Write-down/(reversal of provision) of inventories to net realisable value, net	(244)	–	–	55	(189)

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

Geographical information

(a) Revenue from external customers

	2022	2021
	HK$'000	HK$'000
		(Restated)
Hong Kong	**83,383**	90,607
Mainland China	**582,208**	794,866
	665,591	885,473

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

(b) Non-current assets

	2022	2021
	HK$'000	HK$'000
Hong Kong	**664,538**	679,690
Mainland China	**668,535**	569,838
	1,333,073	1,249,528

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

Information about a major customer

During the years ended 31 December 2022 and 2021, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2022	2021
	HK$'000	HK$'000
		(Restated)
Revenue from contracts with customers		
Sale of paint products	**639,134**	838,066
Sale of iron and steel products	**1,646**	13,402
Hotel operation	**4,828**	–
Revenue from other sources		
Gross rental income from investment properties operating leases	**19,983**	34,005
	665,591	885,473

	2022	2021
	HK$'000	HK$'000
		(Restated)
Other income		
Interest income from structured deposits	**–**	112
Bank interest income	**4,751**	2,917
Dividend income from equity investments designated at fair value through other comprehensive income	**–**	120
Dividend income from financial assets at fair value through profit or loss held for trading	**179**	83
Government grants*	**1,941**	3,955
Government subsidies^	**33,245**	–
Recognition of deferred income	**299**	308
Surrender income for early termination of tenancy agreements	**2,297**	5,150
Others	**2,648**	1,837
	45,360	14,482
Gains, net		
Gain on disposal of items of property, plant and equipment, net	**537**	118
Foreign exchange differences, net	**–**	246
Fair value gains/(losses) on financial assets at fair value through profit or loss held for trading, net	**(339)**	341
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**(1,112)**	(969)
	(914)	(264)
Total other income and gains, net	**44,446**	14,218

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

^ During the year ended 31 December 2022, the PRC government granted subsidies for the removal of solvent production lines and solvent storage tanks in both the production plants in Shajing (the "Shajing Production Plant") and Hubei located in Mainland China. The subsidies amounted to HK$27,057,000 and HK$2,373,000, respectively. Furthermore, a subsidy of HK$1,874,000 was granted for relocating the main factory entrances within the complex situated in Shanghai, Mainland China. In addition, subsidies of HK$1,941,000 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	HK$'000	HK$'000
Interest on bank loans	**7,944**	5,589
Interest on lease liabilities	**328**	103
	8,272	5,692

6. LOSS BEFORE TAX

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

	2022	2021
	HK$'000	HK$'000
Cost of inventories sold	**509,429**	684,888
Depreciation on property, plant and equipment	**29,752**	27,251
Depreciation on right-of-use assets	**7,793**	7,369
Provision for impairment of property, plant and equipment*	**1,855**	–
Provision for impairment of right-of-use assets*	**6,145**	–
Reversal of provision of inventories to net realisable value, net[@]	**(950)**	(189)
Provision for impairment of trade and bills receivables*	**15,020**	4,563
Trade receivables written off as uncollectible*	**522**	–
Staff termination cost*	**21,581**	2,702
Equity-settled share option expenses	**5,610**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss held for trading, net	**339**	(341)
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**1,112**	969
Dividend income from financial assets at fair value through profit or loss held for trading	**(179)**	(83)
Gain on disposal of items of property, plant and equipment, net*	**(537)**	(118)
Write-off of items of property, plant and equipment*	**1,354**	295
Foreign exchange differences, net*	**1,780**	(246)

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

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

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 2022 (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% (2021: 25%) during the year, 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% (2021: 15%) had been applied during the year.

	2022	2021
	HK$'000	HK$'000
Current - Hong Kong		
Overprovision in prior years	**–**	(33)
Current - Elsewhere		
Charge for the year	**257**	1,067
Under/(over) provision in prior years	**(292)**	37
Deferred	**(1,431)**	(169)
Total tax charge/(credit) for the year	**(1,466)**	902

The share of tax attributable to an associate amounting to HK$341,000 (2021: HK$231,000) is included in "Share of profits and losses of an associate, net" in the consolidated statement of profit or loss.

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

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$94,081,000 (2021: HK$20,633,000), and the weighted average number of ordinary shares of 1,903,685,690 (2021: 1,903,685,690) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

9. DIVIDEND

	2022	2021
	HK$'000	HK$'000
Proposed final - HK2.0 cents (2021: HK2.0 cents) per ordinary share	**38,074**	38,074

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ended 31 December 2023.

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

10. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2022, the Group acquired items of properties, plant and equipment at costs of HK$11,572,000 (31 December 2021: HK$11,665,000) and transferred an industrial property to an investment property at a fair value of HK$160,710,000 on 21 October 2022 (31 December 2021: Nil).

11. INVESTMENT PROPERTIES

	2022	2021
	HK$'000	HK$'000
Carrying amount at 1 January	**601,378**	840,182
Fair value gains/(losses), net	**(15,391)**	15,378
Transfer from (to) owner-occupied properties	**160,710**	(261,500)
Exchange realignment	**(17,618)**	7,318
Carrying amount at 31 December	**729,079**	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 during the year, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2022 based on valuations performed by BMI Appraisals Limited, an independent professional qualified valuer. The Group's finance department reports directly to the senior management selects an external valuer to be responsible for the external valuations 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 valuers on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms 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 are usually granted ranging from one to three months 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 where security deposits are required 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:

	2022	2021
	HK$'000	HK$'000
Within three months	**148,921**	201,986
Over three months and within six months	**72,445**	125,489
Over six months	**149,235**	124,638
	370,601	452,113

13. TRADE AND BILLS PAYABLES

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

	2022	2021
	HK$'000	HK$'000
Within three months	**122,567**	328,097
Over three months and within six months	**76,699**	24,265
Over six months	**61,512**	42
	260,778	352,404

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 31 December 2022, bills payable with an aggregate carrying amount of HK$134,656,000 (31 December 2021: HK$136,543,000) were secured by time deposits of HK$40,397,000 (31 December 2021: HK$40,963,000).

14. 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 year ended 31 December 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 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 year ended 31 December 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 the CPM and five employees of the CPM Group under the share option scheme (the "CPM Scheme") adopted by the CPM on 4 June 2020 (the "Adoption Date"). The CPM Scheme was adopted by the 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 the 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 the 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.

The following share options were outstanding under the CPM Scheme during the year:

	2022	
	Weighted average exercise price HK$ per share	**Number of options '000**
At 1 January		–
Granted during the year	**0.335**	**80,000**
At 31 December	**0.335**	**80,000**
Vested and exercisable at 31 December	**0.335**	**40,000**

None of the share options granted during the year ended 31 December 2022 under the CPM Scheme was exercised, cancelled or lapsed.

The fair value of equity-settled share options granted during the year ended 31 December 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

The fair value of the share options granted on 15 June 2022 was HK$8,417,000 of which the CPM Group recognised share option expenses of HK$5,610,000 during the year ended 31 December 2022 (31 December 2021: Nil).

15. COMPARATIVE AMOUNTS

As further explained in note 3 to the consolidated financial statements, due to the changes in the designation of principal businesses, certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

DIVIDEND

The directors of the Company have resolved to recommend to the shareholders of the Company the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2022 (2021: HK2.0 cents) amounting to approximately HK$38,074,000 (2021: approximately HK$38,074,000). The final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on Friday, 23 June 2023 to the shareholders of the Company whose names appear on the Company's register of members on Tuesday, 13 June 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2023.

For the purpose of determining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 12 June 2023 to Tuesday, 13 June 2023, both days inclusive, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 9 June 2023.

CHAIRMAN'S STATEMENT

OVERVIEW

During the year ended 31 December 2022, the Group engaged in three principal business segments. The largest business segment of the Group continued to be the paint and coating business operated by the CPM which is a 75% non wholly-owned subsidiary of the Company.

The Group is also active in enriching its investment property portfolio for the purposes of increasing the rental income as well as value appreciation. During the year, the Group commenced the hotel business which is operating by an appointed hotel management company. The business segment was at its preliminary stage and hence, there was no profit generated from the hotel business of the Group in 2022. Overall, during the year ended 31 December 2022, both the Group's revenue from the paint and coating business and the investment return on the investment property portfolio of the Group decreased as compared to the year ended 31 December 2021. There was no profit generated from the hotel business of the Group in 2022. Apart from these three business segments, the Group also invested in certain equity investments for investment purpose.

The year of 2022 was challenging. Like all other companies in the world, the business of the Group was severely and adversely affected by the COVID-19 pandemic and global economic instability. Stringent precautionary measures continued to be implemented by governments of different countries and in particular, the PRC, until the first quarter of 2023. The economy and the society faced different levels of disruption from different perspectives.

The revenue of the paint products business of the Group recorded a decrease of 23.7% in 2022 to approximately HK$639.13 million, as compared to approximately HK$838.07 million in 2021. The gross profit of the paint products business of the Group in 2022 was approximately HK$138.61 million, representing a decrease of 16.6%, as compared to approximately HK$166.27 million in 2021.

Revenue generated from the investment property business of the Group in 2022 decreased by 41.2% to approximately HK$19.98 million, as compared to approximately HK$34.01 million in 2021. The net fair value losses of the investment property portfolio of the Group amounted to approximately HK$15.39 million in 2022 as compared to the net fair value gains of approximately HK$15.38 million in 2021, primarily due to the sluggish market conditions of the property market in Hong Kong and Mainland China.

The revenue generated from the iron and steel trading business significantly decreased by 87.7% as compared to last year. The decrease in revenue was mainly due to the scaling down of iron and steel operation during 2022.

Revenue generated from the hotel business of the Group in 2022 was approximately HK$4.83 million. As the hotel business was at a beginning stage, the net loss amount to HK$6.08 million was recorded for the year ended 31 December 2022.

The Group's revenue for the year ended 31 December 2022 amounted to HK$665.59 million, representing a decrease of 24.8%, as compared to the revenue in 2021. Gross profit decreased by HK$44.42 million, representing a significant decrease of 22.1%, as compared to the gross profit in 2021. Loss attributable to the shareholders of the Company for the year ended 31 December 2022 was significantly increased to HK$94.08 million, as compared to the loss attributable to the shareholders of the Company of HK$20.63 million in 2021.

PROSPECTS

Looking forward to 2023, the global economy is expected to be more stable although there are still many uncertainties such as geopolitical tension, inflation and monetary policy tightening.

With the border re-open and removal of quarantine restriction, the Hong Kong economy is expected to improve steadily. The resumption of the overseas travelling will support the rebound of the local economic activities. The post-pandemic economic initiatives implemented by the governments of different countries are expected to boost the Group's rental activities and accelerate the hotel business in 2023.

Despite the economic uncertainties in Mainland China and Hong Kong due to a number of factors, such as the Russia-Ukraine conflict, the geopolitical tensions between China and the United States and the increase of interest rate, the Group will continue to enhance its production efficiency in response to the challenging business environment.

The directors of the Company will constantly review the Group's investment property portfolio and act prudently in evaluating opportunities on investment properties for the purpose of increasing the recurring income and the cash flow for investment purposes and exploring other new business opportunities to drive the continuous business developments of the Group.

Lastly, the Board would like to express its sincere gratitude to Mr. Lam Ting Ball, Paul, the former chairman of the Company for his valuable contribution to the Company during his tenure of office.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2022, the Group engaged in three principal business segments, namely property investment business, hotel business and paint and coating business, operated through the CPM, a company listed on The Stock Exchange of Hong Kong Limited. Other than these three business segments, the Group also holds certain equity and listed securities for investment purpose and owns a parcel of land in Hong Kong which may be re-developed into an elderly home.

INVESTMENT PROPERTY BUSINESS

Investment Properties

The CPM Group implemented ongoing measures and initiatives to revamp its business operations. Within the framework of the strategy, the CPM Group strategically transferred the Shajing Production Plant to one of its investment properties during the year 2022. The Group's investment property portfolio consists of 17 properties as at 31 December 2022 as compared to 16 properties as at 31 December 2021. The gross floor area of the investment property portfolio includes properties with gross floor area of 704,357 square feet ("sq.ft.") (2021: 313,884 sq.ft.). These investment properties included residential, commercial, serviced apartment and industrial properties in Hong Kong and Mainland China with the aim to generate stable recurring income and cashflows for long-term investment purposes. The aggregate market value of the investment properties held by the Group amounted to approximately HK$729.08 million (2021: HK$601.38 million), including investment properties held by the CPM Group, representing an increase of 21.23% as compared to the same in 2021. The increase in the market value of the investment properties was primarily due to the net-off effect of (i) the reclassification of certain property, plant and equipment owned by the CPM Group to investment properties; (ii) the record of net fair value losses on investment properties of the Group; and (iii) the depreciation of Renminbi against Hong Kong dollars as at 31 December 2022. The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 31 December 2022 amounted to approximately HK$488.14 million (2021: HK$519.68 million) and approximately HK$ 240.94 million (2021: HK$81.70 million) respectively.

The revenue generated from the property investment business for the year ended 31 December 2022 amounted to approximately HK$19.98 million as compared to approximately HK$34.01 million for the year ended 31 December 2021. The significant decrease in revenue was primarily 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 premises of the Group located in Wanchai (the "Wanchai Hotel"), on 8 November 2021. The revenue generated from the investment properties from the Group (excluding the CPM Group) and the CPM Group for the year ended 31 December 2022 amounted to approximately HK$16.06 million (2021: HK$29.56 million) and approximately HK$3.92 million (2021: HK$4.45 million) respectively.

The average occupancy rate for the investment properties of the Group in 2022 was 81.9%, as compared to 95.1% in 2021. Such decrease was primarily due to the expiration and the non-renewal of the tenancy agreements for an industrial property in Mainland China. The recorded gross rental income (including inter-group rental income) dropped to approximately HK$24.68 million in 2022 as compared to approximately HK$38.72 million in 2021. Segment profit amounted to approximately HK$7.78 million, as compared to the segment profit of approximately HK$47.30 million in 2021. The significant decrease in the segmental profit was primarily due to the net fair value losses of HK$15.39 million recorded on the investment properties held by the Group in Hong Kong and Mainland China in 2022, as compared to fair value gains of HK$15.38 million in 2021, as well as the early termination of a tenancy agreement with Tang's Living mentioned above. The fair value losses in 2022 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 rent to the Group in respect of the Wanchai 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 rent has been settled. The premises for the Wanchai Hotel was returned 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 Wanchai 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.

Recent Development of Serviced Apartment

The 25-storey composite building with gross floor area of approximately 14,730 square feet located in Mongkok, Hong Kong, was previously leased to an independent third party of the Group to run as a serviced apartment. The tenant, however, had decided not to renew the tenancy upon its expiration on 19 December 2022. The Group has therefore leased the property through property agencies since January 2023 as residential properties.

Property Under Development

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

The Au Tau Land covers a total site area of about 3,663.9 square meters and is currently occupied by a Grade 1 historical building built in the 1930s – Pun Uk. 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, was 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 TPB approved the Group's application for the redevelopment of the Au Tau Land with permission on (a) the preservation of Pun Uk; (b) the construction of a place of recreation, sports or cultural centre; and (c) the construction of an elderly home that has around 530 beds and other related facilities (collectively, the "Re-development Project"). The permission shall be valid for 4 years until August 2026.

Under the Re-development Project, there will be three non-domestic buildings comprises the existing Pun Uk and two new blocks to be constructed as RCHE. The northern block of the proposed RCHE will be six storeys, i.e. basement, 1/F to 6/F, whereas the southern block will be 5 storeys, i.e. 1/F to 5/F. Essential functional areas/rooms, such as admin office, dining area, staff room and other supporting facilities would be provided and developed at detailed design stage. In addition, there will be 6 private car parking spaces including one disabled parking space. Under the prevailing outline zoning plan (the "OZP"), the Au Tau Land is revitalised as "Undetermined" and "Government, Institution or Community" purposes. As noted in the OZP, all uses and developments that may take place on the undetermined zone would require the permission from the TPB. Pun Uk will be revitalised and certain areas will also be used as the regional recreation, sports and cultural facilities for the Yuen Long district.

The Group is actively exploring different options available for the development of the Re-development Project. Base on the current financial position of the Group and its business focus and expertise, the directors of the Company are of the view that the transferring of the Re-development Project to third parties could be a viable option that will be in the best interest of the Company and the shareholders of the Company as a whole.

HOTEL BUSINESS

In December 2021, the Group appointed a hotel management consultant (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, J Link Hotel has commenced its soft opening in March 2022 with a total number of 80 rooms. During the year ended 31 December 2022, the average number of available room nights was 76 and the occupancy rate based on available rooms was approximately 94%. The hotel business had a net loss of HK$6.08 million for the year ended 31 December 2022, as it was at an early stage of business and initial set-up costs were incurred.

Target customers of J Link Hotel include international travelers and Hong Kong residents under the boom of staycation. The directors of the Company expect that room occupancy and average room rates will be positively impacted in the coming year as international travel begins to pick up followed by the relaxation of travel restrictions in Hong Kong since early 2023.

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the annual result announcement of the CPM for the year ended 31 December 2022 and the following information on the paint and coating business is extracted for ease of reference.

General Background

To mitigate the reduction in profitability resulting from supply chain challenges such as rising raw materials prices, the CPM Group strategically transferred its underutilised Shajing Production Plant to one of its investment properties. With this decision, the CPM Group not only resolved its challenges, but also optimised its asset allocation and improved its operating cash flow. As at 31 December 2022, the total value of the CPM Group's investment properties had increased significantly to HK$240.94 million, as compared to HK$81.70 million as at 31 December 2021. Investment properties accounts for 20.9% of the CPM Group's total assets, resulting in the creation of a new business segment. The move prompted the CPM Group to establish a new business segment to focus on property investments, providing stakeholders with more transparency and tracking. This shows the CPM Group's commitment to maximising value through strategic asset management. Despite this positive development, the CPM Group took a cautious and focused approach to managing its investment portfolio in 2022 to align with its overall business strategy. The paint and coating business remained the largest segment of the CPM Group, while the second segment focused on property investment.

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

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for approximately 35.6% (2021: 35.9%), 42.8% (2021: 48.3%) and 21.6% (2021: 15.8%) of the total revenue of paint and coating business in 2022 respectively. The CPM Group continues to focus on Mainland China market which contributed to approximately 89.3% (2021: approximately 92.0%) of the total revenue in 2022.

Segmental Results

Revenue from paint and coating products

The CPM Group's revenue from sales of paint and coating products (the "Paint Sales") for the year ended 31 December 2022 amounted to approximately HK$639.13 million, representing a significant decrease of 23.7% as compared to approximately HK$838.07 million for the year ended 31 December 2021.

Significant decrease in demand for paint and coating products from the real estate market in Mainland China

The CPM Group experienced a significant decrease in sales of its architectural paint and coating products, with a decline of 32.4% for the year ended 31 December 2022, as compared to the same for the year ended 31 December 2021. This decline in sales was primarily due to the sluggish real property market in 2022 and the delayed completion of new residential and commercial property projects in Mainland China. Furthermore, the decline in sales may also be attributable to the impact of the overall economic slowdown and fierce competition in the paint and coating industry.

To promote healthy growth in the real estate industry, the Chinese government has been working to deleverage property developers. However, despite these efforts during the slowdown economy, the growth rate of both the real estate and building and construction industries decreased in 2022. Specifically, the real estate industry grew at approximately -4.8%, as compared to 5.6% in 2021, while the building and construction industry experienced a growth rate of approximately 4.0%, as compared to 10.6% in 2021, according to the data from the National Bureau of Statistics of China (the "NBSC"). Furthermore, the gross domestic product (the "GDP") of the real estate industry decreased from 6.8% in 2021 to 6.1% in 2022, and the building and construction industry also saw a slight decrease from 7.0% in 2021 to 6.9% in 2022.

Based on the information from the NBSC, there has been a decline in both the cumulative construction area of in-progress projects and the cumulative completion area in Mainland China in 2022. The cumulative construction area of in-progress projects decreased by approximately 7.2% in 2022, as compared to an increase of approximately 5.2% in 2021. Meanwhile, the cumulative completion area decreased by approximately 15.0% in 2022, which is a larger decrease than the approximately 11.2% decrease observed in 2021.

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2022, the CPM Group's revenue generated from the Paint Sales from Mainland China and Hong Kong accounted for approximately 89.3% and 10.7% respectively, as compared to approximately 92.0% and 8.0% respectively for the year ended 31 December 2021. Most of the CPM Group's revenue was generated from the Southern China, the Central China and the Eastern China. Revenue generated from these regions, in aggregate, accounted for approximately 83.4% of the CPM Group's revenue for the year ended 31 December 2022, as compared to approximately 83.8% for the year ended 31 December 2021.

Significant decrease in the Paint Sales to construction and renovation contractors for property and infrastructure projects in the Central China, the Eastern China and the Northern China

For the year ended 31 December 2022, the CPM Group experienced a significant decrease in Paint Sales to construction and renovation contractors for property and infrastructure projects in the Central China, the Eastern China, and the Northern China, with a total decrease of HK$161.11 million. Specifically, the Paint Sales decreased by 61.7% to approximately HK$51.83 million in the Central China, 57.6% to approximately HK$39.32 million in the Eastern China, and 79.2% to approximately HK$6.36 million in the Northern China. It was not only because of the slow economic environment but also the intensifying financial stress among Chinese property developers that contributed to the decrease in revenue for the year ended 31 December 2022. To mitigate industry risks, the CPM Group had to monitor, assess, and reduce the flexibility of credit terms offered to its real estate customers. This contributed significantly to the overall decrease of HK$145.03 million or 39.7% in the CPM Group's revenue generated from the Paint Sales to construction and renovation contractors for property and infrastructure projects in Mainland China for the year ended 31 December 2022.

Significant decrease in the Paint Sales to Distributors in the Southern China, the Eastern China and the Northern China

The CPM Group experienced a significant decrease in the Paint Sales to wholesale distributors and retail distributors (the "Distributors") in the Southern China, the Eastern China, and the Northern China, resulting in a total decrease of HK$37.70 million for the year ended 31 December 2022. Specifically, the Paint Sales decreased by 17.5% to approximately HK$133.25 million in the Southern China, 12.5% to approximately HK$41.34 million in the Eastern China, and 37.3% to approximately HK$6.06 million in the Northern China. The sluggish real property market, delayed completion of new residential and commercial property projects, and the resurgence of the COVID-19 pandemic caused significant disruptions in both supply chains and consumption patterns, leading to this decline. These factors significantly impacted the revenue generated from the Paint Sales to the Distributors in Mainland China, which decreased by HK$43.18 million or 18.4% for the year ended 31 December 2022.

According to the information from the NBSC, in terms of Mainland China's nominal GDP, the growth rate of the wholesale and retail trade sector in 2022 in Mainland China recorded a year-to-year increase of 3.6%. Retail sales of the construction and decorative paint and coating products decreased by approximately 2.8%, as compared to the increase of 12.5% in 2021. The slightly lower than market performance was primarily due to the several upward adjustments on the CPM Group's selling prices of the paint and coating products in Mainland China.

Decrease in the Paint Sales to industrial manufacturers in the Eastern China

For the year ended 31 December 2022, the CPM Group's revenue from the Paint Sales to industrial manufacturers in the Eastern China decreased by HK$11.13 million, marking a decline of 22.6%, as compared to a 19.3% increase in 2021. This downturn was mainly attributed to the COVID-19 pandemic's resurgence, which caused multiple disruptions in both supply chains and consumption patterns across Mainland China. As a result, restrictions on business and social activities were imposed, including a lockdown in Shanghai during the second quarter of 2022. These factors had a significant negative impact on the overall revenue generated from the Paint Sales to industrial manufacturers in Mainland China, which decreased by HK$12.14 million or 7.1% for the year ended 31 December 2022.

Increase in the Paint Sales to wholesale and retail trade sector in Hong Kong

For the year ended 31 December 2022, the CPM Group's revenue generated from the Paint Sales to the Distributors in Hong Kong increased by approximately 4.2%, as compared to an increase of 2.3% in 2021. This growth was primarily due to several upward adjustments made by the CPM Group on the selling prices of their paint and coating products in Hong Kong between July 2021 and March 2022. Based on the information from the Census and Statistics Department ("C&SD") on the average wholesale prices of selected building materials, there were notable increases in the prices of emulsion and acrylic paint, with a range of 3.1% to 14% and 6.8% to 10.7%, respectively, as compared to 2021. Overall, the CPM Group aligned with this trend.

In addition, according to the C&SD's GDP data, the gross domestic fixed capital formation in the private and public sectors of the building and construction industry increased by 6.8% in 2022, as opposed to a 1.9% decrease in 2021. This growth was primarily driven by a combined effect of a 24.0% increase in public sector expenditure on building and construction projects in Hong Kong and a 4.5% decrease in private sector expenditure in 2022, as compared to 2021.

Cost of raw materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. Crude oil prices directly or indirectly impact the prices of such raw materials. Despite the expected ongoing shortage of crude oil supply, international crude oil prices in 2022 remained high due to the ban on imports of Russian crude oils, diesel and other products from Russian refineries by the United States and some European countries. Throughout 2022, average international crude oil prices increased by 42.8%, with the highest price reaching US$130 per barrel in March 2022. The significant increase was primarily due to a 54.2% increase in international crude oil prices over the first three quarters of 2022, as compared to the same periods in 2021. As a result, crude oil import volume in Mainland China decreased by 0.9% in 2022, as compared to a decrease of 5.4% in 2021. However, lockdowns in certain cities in Mainland China in 2022 may have negatively impacted crude oil processing production. Despite the increase in crude oil production volume increasing by 2.9% in 2022, as compared to an increase of 2.1% in 2021, crude oil processing volume decreased by 3.9% in 2022, as compared to an increase of 4.3% in 2021. Consequently, the purchasing producer index of the chemical industries in Mainland China increased by 6.5% to 17.9% in 2022, as compared to the same in 2021. Raw materials costs have a significant impact on the profitability of manufacturers in the paint and coating industry, as raw materials costs make up a substantial portion of the total production cost. Notwithstanding the CPM Group's gross profit improvement for the year ended 31 December 2022, the significant increase in key raw materials prices had a negative impact on the overall performance, even after excluding the 23.7% decrease in the Paint Sales. Nevertheless, it is worth noting that the year-on-year decrease in the percentage of raw materials cost to revenue by 26.4% was still more favourable than the decline in paint and coating product sales by 23.7% for the year ended 31 December 2022.

Gross Profit Margin and Gross Profit of the CPM Group's paint and coating products

As previously noted, the paint and coating industry has faced challenges related to high raw materials costs caused by rising international crude oil prices, a shortage of global raw materials and supply chain disruptions in Mainland China throughout 2022. Additionally, the Paint Sales decreased by 23.7%, as compared to the year ended 31 December 2021. Nevertheless, the CPM Group's achieved a satisfactory increase in gross profit margin from the Paint Sales by 9.6% to 21.7%, up from 19.8% in 2021, as a result of effective business revamp measures and initiatives, such as the successful integration of production facilities in Southern China.

The CPM Group's gross profit generated from the Paint Sales decreased by HK$27.65 million, as compared to the same for the year ended 31 December 2021. This significant decrease of 23.7% in the Paint Sales led to an estimated decrease in gross profit of approximately HK$39.26 million. However, this was partially offset by a marginal increase in the gross profit margin, amounting to approximately HK$11.60 million. As a result, the CPM Group's loss attributable to its parent company owners increased from approximately HK$59.53 million in 2021 to approximately HK$98.08 million in 2022.

Other Expenses

The CPM Group incurred staff termination payments of approximately HK$21.58 million for the year ended 31 December 2022 due to the ongoing integration of production facilities in Southern China and the Central China.

The CPM Group made a provision for impairment of trade and bills receivables in accordance with HKFRS 9, having considered both historical credit loss experience and forward-looking information. However, the CPM Group faced challenges due to economic uncertainty caused by the intensification of financial stress among property developers in Mainland China. Despite a 12.2% decrease in the gross amount of trade and bills receivables as at 31 December 2022, an additional provision for impairment of trade and bills receivables of HK$16.31 million was required, resulting in a 13.7% increase in the gross amount of provision for impairment of trade and bills receivables to HK$74.60 million as at 31 December 2022.

The CPM Group conducted a review of the recoverable amount of certain property, plant and equipment and the right-of-use assets for the year ended 31 December 2022, using value-in-use calculations. As a result, it was determined that an additional provision for impairment of HK$8.00 million was necessary for items of property, plant and equipment and right-of-use assets, as compared to nil in 2021.

Business initiatives

To improve sales, reduce raw materials costs, and increase gross profit and gross profit margin, the CPM Group continues to optimise its business revamp measures and initiatives. To enhance its operational efficiency and reduce costs, the CPM Group has formed strategic partnerships with other factories. The following business initiatives are currently being implemented:

1. **Strategic partnerships to drive product expansion**

   The CPM Group is partnering with other factories to expand its range of paint and coating products, leveraging cross-use of patents and new formulas to offer customers a wider range of pricing options.

   Expanding product range: By partnering with other factories, the CPM Group can expand its range of paint and coating products, thus offering a wider selection of options to its customers. As a result, the CPM Group could attract new customers and retain current ones by offering them services that meet their evolving needs and preferences.

   Offering a wider range of pricing options: By leveraging patents and new formulas, the CPM Group is able to offer a wider range of pricing options. As a result, the CPM Group could cater to customers with different budgets, expanding its customer base and driving sales.

2. **Driving efficiencies through strategic partnerships**

   The CPM Group is forging partnerships with other factories to optimise raw materials costs and diversify sourcing options, while enhancing its innovation and research capabilities through cross-use of patents and new formulas. The following are potential benefits of the partnership strategy:

   Optimising raw materials costs: By partnering with other factories, the CPM Group can share its expertise and knowledge in sourcing raw materials and explore new options for substitution of materials. This allows cost savings and more efficient operations, as the CPM Group could diversify its sourcing options and reduce its reliance on a single supplier.

   Substituting raw materials/diversifying sourcing options: The CPM Group can utilise its partnerships to explore new raw materials and substitute materials, allowing it to reduce its reliance on a single supplier and diversify its sourcing options. This enables the CPM Group to optimise raw materials costs and reduce supply chain risks.

Enhancing innovation and research capabilities: Cross-use of patents and new formulas can help the CPM Group to enhance its innovation and research capabilities by leveraging the expertise of its partners in the industry. By working collaboratively, the CPM Group is able to develop new formulas and products that meet the evolving needs of its customers and the industry as a whole.

3. **Merging of the research and development and Customer Service Departments under the management of a single director**

   More than half of the CPM Group's sales of functional paints are accounted for by the CPM Group. These paints are typically used in specialised applications where performance and functionality are critical, making it necessary for research and development (the "R&D") technicians to provide technical support and expertise to ensure they meet customer requirements and perform correctly.

   Furthermore, functional paints typically have more complicated formulations and application requirements, making them more challenging for customers to use effectively. Therefore, there is usually a higher need for customer service and technical support to ensure the products are being used correctly and achieving the desired results.

   Having the R&D and customer service departments under one director allows the CPM Group to provide the essential technical support and expertise for solvent paint and industrial paint users, so that products can meet the required performance standards and increase customer satisfaction.

   Also, assigning the existing R&D director to oversee both the R&D and customer service departments in the paint and coating industry can improve customer service as well as provide a host of other benefits, including streamlined decision-making, improved collaboration, faster time-to-market, and potential cost savings.

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

As stated in the CPM's 2022 interim report, a new product research and development centre (the "New R&D Centre") was identified by the CPM Group in Shenzhen in April 2022. The acquisition of the office premises was completed in May 2022 at a cost of HK$17.1 million, and the business operation of the New R&D Centre began in September 2022. The establishment of the New R&D Centre is aligned with the Group's strategy to position Shenzhen as a key hub for high-tech research, development, and manufacturing in Southern China, and to attract high-calibre talent to support the development of paint and coating products in the region.

OTHER BUSINESSES

Iron and Steel Trading Business

The revenue generated from the iron and steel trading business significantly decreased by 87.7% as compared to last year due to scale down of iron and steel operation. The gross profit margin, however, increased from 3.5% in 2021 to 41.9% in 2022 primarily due to the reversal of provision of inventories during 2022.

As a result of the downsizing of the iron and steel business, as well as the uncertainty of the economic environment, the iron and steel business ceased to operate by the end of December 2022. The remaining assets and liabilities of the iron and steel business which previously under this reportable operating segment have been reclassified to conform with the current year's presentation.

Equity Investments Designated at Fair Value Through Other Comprehensive Income

The Group owns 12.5% equity interest in Profitable Industries Limited ("PIL"), an investment holding company, which is in turn engaged in a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, Mainland China. The Cemetery is operated under the name of "Fortune Wealth Memorial Park" which majorly focuses on the development, construction, management and operation of a cemetery. The main types of products of the Cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

As disclosed in the interim report of Chuang's China Investments Limited (stock code: 298) for the six months ended 30 September 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 land for road access and greenbelts, the Cemetery will ascertain the arrangement required by the local authorities. Site formation and construction works are in progress on parts of the land.

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

The Group has engaged an independent professional appraisal firm to perform a valuation on the fair market value of the PIL as at 31 December 2022 based on "Adjusted Net Asset Value" method which has considered, inter alia, property valuation of the Cemetery and a discount for the Group's minority holding in PIL. The fair market value of this equity investment as at 31 December 2022 was approximately HK$36.87 million when compared with approximately HK$41.76 million as at 31 December 2021.

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.

In 2022, the Group recorded net losses on dealings in financial asset at fair value through profit or loss held for trading of approximately HK$1.11 million (2021: approximately HK$0.97 million) and net fair value losses on financial assets at fair value through profit or loss held for trading of approximately HK$0.34 million (2021: net fair value gains of approximately HK$0.34 million).

OUTLOOK

In most countries, the COVID-19 pandemic is under control and is nearing its end, and quarantine measures have been relaxed by governments, which lead the global economy restores. The global economic trend in 2023 is still challenging with many uncertainties such as the conflict between Russia and Ukraine, geopolitical tensions between China and the United States, and interest rate hikes by the Federal Reserve.

The economy in Mainland China is expected to recover steadily in the wake of the COVID-19 pandemic prevention and control measures. In the World Economic Outlook Update, the International Monetary Fund (IMF) predicts China's economic growth in 2023 will be significantly higher at 5.2%.

The paint and coating industry in Mainland China and Hong Kong is expected to experience a steady growth. Various sectors such as construction, automotive, and industrial manufacturing are expected to benefit from the recovery of the economies in both regions.

Furthermore, the industry is expected to move towards more sustainable and environmentally-friendly products, with an emphasis on reducing harmful chemicals and promoting energy efficiency. The trend is driven by an increased awareness of environmental issues and a growing demand for eco-friendly products. In Mainland China, the industry is expected to continue to benefit from the government's focus on urbanisation and infrastructure development. With the ongoing construction of new buildings, roads and bridges, the demand for paints and coatings is expected to remain strong. In Hong Kong, as the government continues to emphasise sustainability and green initiatives, paint and coating manufacturers may find opportunities to offer eco-friendly products. Eco-friendly paint and coating products are likely to be in greater demand due to the government's plan to develop a green economy and invest in sustainable infrastructure.

Overall, the paint and coating industry in Mainland China and Hong Kong is expected to continue to grow in 2023. By optimising its efforts in offering innovative and sustainable products and services, the CPM Group is well-positioned to capitalise on these opportunities and meet the growing demand in these markets.

Property leasing markets for offices are forecasted to recover in 2023 as Mainland China's market conditions improve steadily. Nonetheless, it is difficult to predict when leasing demand will reach pre-pandemic levels.

For the property leasing market in Hong Kong, as the work-from-home trend continue, the demand for office space in Hong Kong would be likely to decrease, and would affect the rental rates. Small and medium-sized businesses and co-working spaces, however, continue to use physical setups. Commercial office demand is therefore expected to continue improving in the near future. Office leasing is expected to improve when cross-border travel is resumed between Hong Kong and Mainland China. It is expected that office rents will generally remain stable in 2023. The Group will constantly review its investment property portfolio will act prudently in making any decision on the acquisition of investment properties for the purpose of generating a recurring income and cash flow for investment purposes.

Hotel business in Hong Kong was negatively affected by the COVID-19 pandemic and the government's strict quarantine measures in 2022. Following the removal of quarantine arrangements for inbound visitors in January 2023 and the resumption of normal travel between Hong Kong and Mainland China, the number of inbound tourists is expected to gradually rise in 2023. As travelers return in 2023, hotel business should have an improvement.

Regarding equity investments, the Group will allocate the funds available for the purpose of maximising the investment return. There is no fixed investment strategy that the Group would choose to implement, as the international investment opportunities are changing from time to time. A board guiding principle is that the Group will determine the maximum return/exposure in each investment product comprising the portfolio of the Group. The Group will acquire or dispose of each investment product according to such principle.

It is anticipated that the exchange rates and interest rates in 2023 will be volatile. The Group will closely monitor its funding needs and regularly evaluate its financing strategy.

FINANCIAL REVIEW

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

RESULTS

The Group recorded a loss attributable to the shareholders of the Company of approximately HK$94.08 million for the year, as compared to a loss attributable to the shareholders of approximately HK$20.63 million last year. Revenue for the year amounted to approximately HK$665.59 million, representing a decrease of 24.8%, as compared to the same of last year. Gross profit for the year amounted to approximately HK$156.16 million, representing a decrease of 22.1%, as compared to the same of last year. The gross profit margin increased by 0.8 percentage point from 22.7% in 2021 to 23.5% in 2022.

SEGMENT INFORMATION

Business Segments

Paint and Coating Products

Paint operation continued to contribute the largest revenue to the Group with revenue of approximately HK$639.13 million, accounting for 96.0% of the Group's total revenue. Segment revenue for the year decreased by 23.7%, as compared to the same of last year. However, the paint and coating industry faced significant challenges for the year ended 31 December 2022, including decreasing demand for paint and coating products due to the COVID-19 pandemic's resurgence in 2022 and the deleveraging of the real estate industry, resulting in a 23.7% decrease in segment revenue, as compared to the previous year. In addition, the industry faced increasing production costs due to high international crude oil prices, which resulted in higher raw materials costs for paint and coating products. As a result, the gross profit margin increased by 1.9 percentage point from 19.8% in 2021 to 21.7% in 2022. Despite this improvement the segment loss for the year amounted to approximately HK$86.37 million, representing a significant increase of 55.3%, as compared to segment loss of approximately HK$55.60 million in 2021. The significant increase in segment loss was primarily due to the decrease in revenue, increase in staff termination costs, provision for impairment of trade and bills receivables, provision for impairment of property, plant and equipment and right-of-use asset as well as equity settled share option expenses for the year ended 31 December 2022.

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

Property Investment

For the year ended 31 December 2022, revenue of the property investment business amounted to approximately HK$19.98 million, representing 3.0% of the Group's total revenue. Segment profit for the year amounted to approximately HK$7.78 million, as compared to the segment profit of approximately HK$47.30 million for the year ended 31 December 2021.

The significant decrease in the segmental profit was primarily due to the net fair value losses of HK$15.39 million recorded on the investment properties held by the Group in Hong Kong and Mainland China in 2022, as compared to fair value gains of HK$15.38 million in 2021.

Hotel Business

For the year ended 31 December 2022, revenue of the hotel business amounted to approximately HK$4.83 million, representing 0.7% of the Group's total revenue. It has, however, recorded a net loss of HK$6.08 million for the year ended 31 December 2022, as the business was at an early stage of business and initial set-up costs were incurred.

Geographical Segments

The Group's businesses are operated in Mainland China and Hong Kong only. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK$582.21 million (2021: HK$794.87 million) and approximately HK$83.38 million (2021: HK$90.61 million), respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK$386.87 million as at 31 December 2022 (31 December 2021: HK$455.16 million). The total cash and bank balances, including structured deposits and pledged deposits, amounted to approximately HK$429.08 million as at 31 December 2022 (31 December 2021: HK$497.47 million). Bank borrowings amounted to approximately HK$289.12 million as at 31 December 2022 (31 December 2021: HK$269.21 million). The Group's bank borrowings mainly carried interest at floating rates. Of the Group's total bank borrowings as at 31 December 2022, approximately HK$289.12 million (100%) was payable within one year.

Gearing ratio of the Group which was expressed as a percentage of total bank borrowings to shareholders' fund was 19.9% as at 31 December 2022 (31 December 2021: 17.4%).

Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 1.39 times as at 31 December 2022 (31 December 2021: 1.55 times).

For the year under review, the inventory turnover days[1] in 2022 were 31 days (2021: 44 days). The trade and bills receivables turnover days[2] increased from 187 days in 2021 to 203 days in 2022.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2022 was approximately HK$1,450.57 million (31 December 2021: HK$1,546.00 million). Net assets value per share as at 31 December 2022 was HK$0.83 (31 December 2021: HK$0.88). Shareholders' funds per share as at 31 December 2022 was HK$0.76 (31 December 2021: HK$0.81).

Contingent Liabilities

As at 31 December 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 approximately HK$581.42 million as at 31 December 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 and performance bonds. The total outstanding secured bank borrowings amounted to approximately HK$207.70 million as at 31 December 2022 (31 December 2021: approximately HK$189.21 million), lease liabilities amounted to approximately HK$0.06 million as at 31 December 2022 (31 December 2021: approximately HK$0.30 million) and bills payables amounted to approximately HK$134.66 million as at 31 December 2022 (31 December 2021: HK$136.54 million).

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 365 days (31 December 2021: 365 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 365 days (31 December 2021: 365 days).

TREASURY MANAGEMENT

Funding and Treasury Policy

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

Foreign Currency Exposure

The Group's cash, bank balances and bank borrowings were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The Group's results can be affected by movements in the exchange rates between Hong Kong dollars, Renminbi and United States dollars. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2022. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

During the year ended 31 December 2022, the Group invested a total sum of approximately HK$23.16 million (2021: approximately HK$18.32 million) in the acquisition of property, plant and equipment and New R&D centre.

HUMAN RESOURCES

The Group's headcount as at 31 December 2022 was 608 (31 December 2021: 757). Staff costs (excluding directors' emoluments and including related equity-settled share-based payments of HK$4.21 million) amounted to approximately HK$135.51 million for the year (31 December 2021: HK$142.45 million). The Group has a comprehensive and competitive staff remuneration and benefits system which is based on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINTIES FINANCIAL RISKS

Interest Rate Risk

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

Currency Rate Risk

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

Credit Risk

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

BUSINESS RISKS

Market Risks

Market risk for the Group includes a loss of market share to competitors. Hong Kong and Mainland China, the core markets in which the Group operates, are becoming increasingly competitive. Failing to consider changes in Hong Kong and Mainland China could lead to a loss of business to competitors, which would adversely affecting the Group's financial position. As part of its efforts to best protect its business, the Group has specialised sales and marketing teams in its operating regions, along with competitive pricing policies and high-quality green and safe paint and coating products.

Operational Risk

Operational risk occurs when internal processes, people and systems fail, or due to external events, which resulted in a loss of business. Every division and department in the Group is responsible for managing operational risks. There are sets of standard operating procedures, safety standards, limits of authority and reporting framework that guide key functions within the Group. As part of the management's risk management process, key operational exposures will be identified and assessed on a regular basis so that appropriate risk reduction steps can be taken.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

(3) effective use of water and electricity; and

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the year ended 31 December 2022. The Board has not yet authorised any plan for other material investments or additions of capital assets.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

AUDIT COMMITTEE REVIEW

The audit committee of the Board has met the external auditors of the Company, Messrs. Ernst and Young ("EY"), and reviewed the Group's annual results for the year ended 31 December 2022.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by EY, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

CORPORATE GOVERNANCE

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 business of the Group. For the year ended 31 December 2022, the Company has complied with the code provisions as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 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.

PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS

The Board proposes to make certain amendments (the "Proposed Amendments") to the existing bye-laws of the Company (the "Existing Bye-laws) in order to, among other things, (i) conform to the core shareholder protection standards set out in Appendix 3 to the Listing Rules; (ii) bring the Existing Bye-laws in line with the relevant requirements of the Listing Rules and the applicable laws of Bermuda; and (iii) make some other housekeeping amendments. Accordingly, the Board proposes to adopt a new set of amended and restated bye-laws of the Company in substitution for, and to the exclusion of, the Existing Bye-laws.

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company. A circular containing, among other things, details of the Proposed Amendments, together with a notice convening the annual general meeting of the Company will be despatched to the Company's shareholders in due course.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Tsui Yam Tong, Terry and Mr. Chong Chi Kwan as executive directors; Mr. Tsui Ho Chuen, Philip and Mr. Zhang Yulin as non-executive directors; and Mr. Ko Kwok Fai, Dennis, Mr. Huang De Rui, Mr. Zhang Xiaojing, Ms. Lin Yingru and Mr. Cheng Wai Po, Samuel as independent non-executive directors.