CNT GROUP LIMITED

北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF 2023 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

Results	Six months ended 30 June 2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000 (Restated)	Change %
Revenue	**256,288**	321,696	-20.3
Gross profit	**81,222**	69,882	16.2
Gross profit margin	**31.7%**	21.7%	46.1
Loss for the period	**(6,033)**	(58,812)	-89.7
Loss attributable to:			
Shareholders of the Company	**(3,315)**	(46,080)	-92.8
Non-controlling interests	**(2,718)**	(12,732)	-78.7
Loss per share (HK cents)			
Basic and diluted	**(0.17)**	(2.42)	-93.0

Financial Position	As at 30 June 2023 (Unaudited) HK$'000	As at 31 December 2022 (Audited) HK$'000	Change %
Cash and cash equivalents and pledged deposits	**361,951**	429,076	-15.6
Bank borrowings	**263,300**	289,116	-8.9
Gearing ratio	**19.1%**	19.9%	-4.0
Net asset value per share (HK$)	**0.79**	0.83	-4.8
Shareholders' funds per share (HK$)	**0.72**	0.76	-5.3

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of CNT Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 together with comparative amounts for the corresponding period in 2022. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Board's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 (Unaudited) HK$'000**	2022 (Unaudited) HK$'000 (Restated)
REVENUE	3	**256,288**	321,696
Cost of sales		**(175,066)**	(251,814)
Gross profit		**81,222**	69,882
Other income and gains, net	3	**7,627**	7,376
Selling and distribution expenses		**(34,455)**	(46,470)
Administrative expenses		**(56,171)**	(70,110)
Other expenses, net		**(9,145)**	(11,677)
Fair value gains/(losses) on investment properties, net	10	**12,834**	(5,198)
Finance costs	4	**(6,509)**	(3,005)
Share of profit and loss of an associate		**1,112**	944
LOSS BEFORE TAX	5	**(3,485)**	(58,258)
Income tax expenses	6	**(2,548)**	(554)
LOSS FOR THE PERIOD		**(6,033)**	(58,812)
ATTRIBUTABLE TO:			
Owners of the parent		**(3,315)**	(46,080)
Non-controlling interests		**(2,718)**	(12,732)
		(6,033)	(58,812)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**HK(0.17) cents**	HK(2.42) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(6,033)**	(58,812)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(42,278)**	(41,020)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gains on properties valuation	**7,406**	–
Income tax effect	**(1,851)**	–
	5,555	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(36,723)**	(41,020)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(42,756)**	(99,832)
ATTRIBUTABLE TO:		
Owners of the parent	**(33,205)**	(79,269)
Non-controlling interests	**(9,551)**	(20,563)
	(42,756)	(99,832)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited) HK$'000**	31 December 2022 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**434,791**	471,004
Investment properties	10	**780,900**	729,079
Properties under development		**28,000**	28,000
Right-of-use assets		**58,994**	97,975
Interest in an associate		**3,168**	2,707
Equity investments designated at fair value through other comprehensive income		**42,104**	42,104
Deposits for purchases of property, plant and equipment		**4,119**	4,308
Deposits and prepayments		**889**	500
Deferred tax assets		**16,996**	15,542
Total non-current assets		**1,369,961**	1,391,219
CURRENT ASSETS			
Inventories		**29,065**	43,124
Trade and bills receivables	11	**298,530**	370,601
Prepayments, deposits and other receivables		**68,158**	67,080
Financial assets at fair value through profit or loss		**274**	407
Pledged deposits		**40,967**	42,202
Cash and cash equivalents		**320,984**	386,874
Total current assets		**757,978**	910,288
CURRENT LIABILITIES			
Trade and bills payables	12	**217,055**	260,778
Other payables and accruals		**59,163**	86,184
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**263,300**	289,116
Lease liabilities		**2,999**	3,571
Tax payable		**10,296**	10,796
Total current liabilities		**555,613**	653,245
NET CURRENT ASSETS		**202,365**	257,043
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,572,326**	1,648,262

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**4,218**	5,213
Deferred tax liabilities	**55,851**	51,576
Deferred income	**468**	635
Deposits received	**4,222**	3,665
Total non-current liabilities	**64,759**	61,089
Net assets	**1,507,567**	1,587,173
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,188,921**	1,260,200
	1,379,290	1,450,569
Non-controlling interests	**128,277**	136,604
Total equity	**1,507,567**	1,587,173

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments did not have any impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. OPERATING SEGMENT INFORMATION

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

(a) the paint products segment engages in the manufacture and sale of paint and coating products through CPM Group Limited (the "CPM", together with its subsidiaries collectively as the "CPM Group");

(b) the property investment segment comprises:

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

  (ii) the development and sale of properties;

(c) the hotel business; and

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

The chief operating decision-maker regularly reviews the operating results of the operating segments of the Group 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 profit/loss before tax of the Group except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

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 the CPM had resolved that additional resources would continuously be deployed to the property investment business and accordingly, the property investment business was redesignated by the board of directors of the CPM 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 period's presentation.

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

Six months ended 30 June 2022	Paint products (Unaudited) HK$'000 (Restated)	Property investment (Unaudited) HK$'000 (Restated)	Hotel business (Unaudited) HK$'000	Others (Unaudited) HK$'000 (Restated)	Total (Unaudited) HK$'000 (Restated)
Segment revenue					
Sales to external customers	310,152	9,881	1,027	636	321,696
Intersegment sales	–	2,363	–	–	2,363
Other revenue and gains	3,510	3,040	300	(1,462)	5,388
	313,662	15,284	1,327	(826)	329,447
Reconciliation:					
Elimination of intersegment sales					(2,363)
Total					327,084
Segment results	(43,744)	5,578	(3,153)	(1,251)	(42,570)
Reconciliation:					
Elimination of intersegment results					(45)
Interest income					1,988
Finance costs					(3,005)
Corporate and other unallocated expenses					(14,626)
Loss before tax					(58,258)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

As at 30 June 2023	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Hotel business (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment assets	**718,173**	**905,591**	**282,175**	**68,951**	**1,974,890**
Reconciliation:					
Elimination of intersegment receivables					**(784)**
Corporate and other unallocated assets					**153,833**
Total assets					**2,127,939**
Segment liabilities	**498,564**	**111,334**	**7,311**	**2,777**	**619,986**
Reconciliation:					
Elimination of intersegment payables					**(784)**
Corporate and other unallocated liabilities					**1,170**
Total liabilities					**620,372**

As at 31 December 2022	Paint products (Audited) HK$'000	Property investment (Audited) HK$'000	Hotel business (Audited) HK$'000	Others (Audited) HK$'000	Total (Audited) HK$'000
Segment assets	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

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

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

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

During the six months ended 30 June 2023 and 2022, no revenue from any single customer accounted for 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000 (Restated)
Revenue from contracts with customers		
Sale of paint products	**233,886**	310,152
Sale of iron and steel products	**–**	636
Hotel operation	**4,803**	1,027
Revenue from other sources		
Gross rental income from investment properties operating leases	**17,599**	9,881
	256,288	321,696

Disaggregated revenue information for revenue from contracts with customers

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

For the six months ended 30 June 2022	Paint products (Unaudited) HK$'000	Iron and steel products (Unaudited) HK$'000	Hotel business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segments				
Types of goods or services				
Sale of industrial products	310,152	636	–	310,788
Hotel operation	–	–	1,027	1,027
Total revenue from contracts with customers	310,152	636	1,027	311,815
Geographical markets				
Hong Kong	36,790	–	1,027	37,817
Mainland China	273,362	636	–	273,998
Total revenue from contracts with customers	310,152	636	1,027	311,815
Timing of revenue recognition				
Goods transferred at a point in time	310,152	636	–	310,788
Service satisfied over time	–	–	1,027	1,027
Total revenue from contracts with customers	310,152	636	1,027	311,815

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Other income and gains, net		
Bank interest income	**3,580**	1,988
Dividend income from financial assets at fair value through profit or loss held for trading	**8**	132
Government grants*	**520**	1,313
Government subsidies^	**2,415**	1,364
Recognition of deferred income	**145**	155
Gain on disposal of items of property, plant and equipment, net	**60**	221
Foreign exchange differences, net	**–**	206
Surrender income for early termination of tenancy agreement	**–**	2,297
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**(10)**	(423)
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**(139)**	(351)
Others	**1,048**	474
	7,627	7,376

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

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

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**6,284**	2,920
Interest on lease liabilities	**225**	85
	6,509	3,005

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**175,066**	251,814
Depreciation of property, plant and equipment	**13,164**	15,439
Depreciation of right-of-use assets	**3,361**	3,677
Dividend income from financial assets at fair value through profit or loss held for trading	**(8)**	(132)
Equity-settled share option expenses	**1,224**	4,303
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**10**	423
Foreign exchange differences, net*	**2,180**	(206)
Gain on disposal of items of property, plant and equipment, net	**(60)**	(221)
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**139**	351
Provision for/(reversal of provision) for impairment of trade and bills receivables, net*	**1,672**	(795)
Provision of inventories to net realisable value, net#	**463**	160
Staff termination cost*	**–**	6,663
Write-off of items of property, plant and equipment*	**36**	2

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

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2022: 25%) during the period, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2022: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$220,000 (six months ended 30 June 2022: HK$187,000) is included in "Share of profits and losses of an associate" in the unaudited condensed consolidated statement of profit or loss.

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

The calculation of the basic and diluted loss per share amount is based on the loss for the six months ended 30 June 2023 attributable to ordinary equity holders of the parent of HK$3,315,000 (six months ended 30 June 2022: HK$46,080,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2022: 1,903,685,690) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 and 30 June 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. DIVIDEND

At the annual general meeting held on 6 June 2023, the shareholders of the Company (the "Shareholders") approved the distribution of the final dividend for the year ended 31 December 2022 of HK2.0 cents (year ended 31 December 2021: HK2.0 cents) per share which amounted to approximately HK$38,074,000 (year ended 31 December 2021: HK$38,074,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment at costs of HK$2,738,000 (six months ended 30 June 2022: HK$18,400,000).

Items of property, plant and equipment with an aggregate net book value of HK$847,000 (six months ended 30 June 2022: HK$88,000) were disposed of by the Group during the six months ended 30 June 2023.

10. INVESTMENT PROPERTIES

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Carrying amount at beginning of period/year	**729,079**	601,378
Fair value gains/(losses), net	**12,834**	(15,391)
Transfer from owner-occupied properties	**61,243**	160,710
Exchange realignment	**(22,256)**	(17,618)
Carrying amount at end of period/year	**780,900**	729,079

The investment properties of the Group were revalued on 30 June 2023 based on valuations performed by BMI Appraisals Limited and 中山市安平房地產評估有限公司, independent professional qualified valuers. Fair values of the investment properties of the Group are generally derived by using the income capitalisation method, the market approach method and the depreciated replacement cost approach method.

11. TRADE AND BILLS RECEIVABLES

The Group's trade receivables represent receivables arising from the leasing of investment properties and the sale of paint and iron and steel products. The Group normally requires its customers to make payment of monthly rentals in advance in relation to the leasing of investment properties. Tenants are usually required to pay security deposits which are held by the Group. The Group's trading terms of the paint and iron and steel businesses with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods ranging from one to three months are usually granted to normal customers.

The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables except for receivables arising from the leasing of investment properties require security deposits from the relevant tenants. Trade and bills receivables are non-interest-bearing.

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

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Within three months	**101,223**	148,921
Over three months and within six months	**40,172**	72,445
Over six months	**157,135**	149,235
	298,530	370,601

12. TRADE AND BILLS PAYABLES

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

	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
Within three months	**88,656**	122,567
Over three months and within six months	**50,934**	76,699
Over six months	**77,465**	61,512
	217,055	260,778

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2023, bills payables with an aggregate carrying amount of HK$112,175,000 (31 December 2022: HK$134,656,000) were secured by time deposits of HK$40,104,000 (31 December 2022: HK$40,397,000).

13. SHARE OPTION SCHEME

Share Option Schemes of the Company

The 2012 Scheme

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

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

The 2022 Scheme

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

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

Share Option Scheme of the CPM

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of the 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. Further details are set out in the circular of the CPM dated 27 April 2020.

The equity-settled share options granted on 15 June 2022 vest over a period of 4 years from the date of grant, of which 50% of the share options vested immediately on the date of grant, 20% of the share options vested on 14 June 2023, 10% of the share options 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 six months period ended 30 June 2023:

	2023 (Unaudited)		2022 (Unaudited)	
	Weighted average exercise price HK$ Per share	**Number of options**	Weighted average exercise price HK$ Per share	Number of options
At 1 January	**0.335**	**80,000,000**		–
Granted during the period		**–**	0.335	80,000,000
At 30 June	**0.335**	**80,000,000**	0.335	80,000,000
Vested and exercisable at 30 June	**0.335**	**56,000,000**	0.335	40,000,000

None of the share options granted under the CPM Scheme were exercised, cancelled or lapsed during the six month period ended 30 June 2023 and 2022.

The fair value of equity-settled share options granted during the period ended 30 June 2022 was estimated as at the date of grant, using a Binomial Option Pricing Model (the "Model"), taking into account the terms and conditions upon which the share options were granted. The Model is one of the commonly used models to estimate the fair value of a share 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 a share option. The following table lists the inputs to the Model used:

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

No share options were granted during the six months ended 30 June 2023. Share option expense of approximately HK$1,224,000 was recognised during the reporting period (six months ended 30 June 2022: HK$4,303,000).

14. COMPARATIVE AMOUNTS

As further explained in note 2 to the unaudited condensed consolidated financial statements, due to the changes in the designation of principal businesses, certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2023 (the "2023 First Six-month Period"), the Group was engaged in three principal business segments, namely (a) investment property business; (b) hotel business; and (c) paint and coating business. The paint and coating business was conducted by the CPM, a company listed on the Stock Exchange. 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 for re-development.

BUSINESS REVIEW

During the 2023 First Six-month Period, the Group recorded a loss attributable to the Shareholders of HK$3.32 million, as compared to the same of HK$46.08 million for the six months ended 30 June 2022 (the "2022 First Six-month Period"). The loss incurred by the Group for the 2023 First Six-month Period was primarily due to the combined effect of (a) the net fair value gains of approximately HK$12.83 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 30 June 2023, as compared with the net fair value losses of approximately HK$5.20 million as at 30 June 2022; and (b) the loss incurred by the CPM Group for the 2023 First Six-month Period of HK$11.51 million.

Including the revenue generated by the CPM Group, the revenue of the Group during the 2023 First Six-month Period amounted to HK$256.29 million, represented a decrease of 20.3% from HK$321.70 million for the 2022 First Six-month Period. The amount of gross profit of the Group for the 2023 First Six-month Period amounted to HK$81.22 million, represented an increase of 16.2% from HK$69.88 million for the 2022 First Six-month Period. The increase in the gross profit of the Group was primarily due to the increase in rental income from the investment properties held by the Group and the improvement in the gross profit margin and decrease in revenue of the CPM Group during the 2023 First Six-month Period. Furthermore, the Group achieved an adjusted profit of approximately HK$9.61 million for the 2023 First Six-month Period, as compared to an adjusted loss of approximately HK$27.43 million for the 2022 First Six-month Period. This adjusted profit or loss excluded various gains and expenses such as depreciation of property, plant, and equipment, provision for impairment of trade and bills receivables, depreciation of right-of-use assets, share option expenses, net fair value gains on investment properties, finance costs and income tax.

The revenue of the paint and coating business of the CPM Group accounted for 91.3% of the Group's revenue for the 2023 First Six-month Period, as compared to 96.4% of the same for the 2022 First Six-month Period.

Investment Property Business

Investment Properties

The revenue generated from the investment property business for the 2023 First Six-month Period amounted to approximately HK$17.60 million as compared to approximately HK$9.88 million for the 2022 First Six-month Period. The significant increase in revenue was primarily due to the combination of various production plants by the CPM Group in Mainland China, which allows the CPM Group to reclassify those properties as part of the investment properties of the CPM Group. The revenue generated from the investment properties held by the Group (excluding the CPM Group) and the CPM Group for the 2023 First Six-month Period amounted to approximately HK$7.60 million (as compared to approximately HK$8.13 million for the 2022 First Six-month Period) and approximately HK$10.00 million (as compared to approximately HK$1.75 million for the 2022 First Six-month Period), respectively.

The investment property portfolio of the Group consists of 18 properties as at 30 June 2023 as compared to 17 properties as at 31 December 2022. The gross floor area of the investment property portfolio includes properties with gross floor area of 816,452 square feet ("sq. ft."), as compared to 704,357 sq. ft. as at 31 December 2022. These investment properties included residential, commercial and industrial properties in Hong Kong and Mainland China and are held for the purpose of generating stable income and cash flows for long-term investment purposes. The aggregate market value of the investment properties held by the Group amounted to approximately HK$780.90 million as at 30 June 2023 as compared to approximately HK$729.08 million as at 31 December 2022, including investment properties held by the CPM Group, representing an increase of 7.1% as compared to the same as at 31 December 2022. The increase in the market value of the investment properties was primarily due to the net-off effect of (a) the reclassification of certain properties owned by the CPM Group to investment properties; (b) the record of net fair value gains on investment properties of the Group; and (c) the depreciation of Renminbi as at 30 June 2023. The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 30 June 2023 amounted to approximately HK$488.30 million (as compared to approximately HK$488.14 million as at 31 December 2022) and approximately HK$292.60 million (as compared to approximately HK$240.94 million as at 31 December 2022), respectively.

The average occupancy rate for the investment properties of the Group for the 2023 First Six-month Period was 93.2%, as compared to 87.7% for the 2022 First Six-month Period. The increase in the occupancy rate was primarily due to the leasing of the production plant located in Shajing and parts of the production plant in Zhongshan, the PRC by the CPM Group to independent third parties. The recorded gross rental income (including inter-group rental income) increased to approximately HK$19.22 million for the 2023 First Six-month Period as compared to approximately HK$12.24 million for the 2022 First Six-month Period.

The segmental profit for the 2023 First Six-month Period amounted to approximately HK$28.17 million, as compared to approximately HK$5.58 million for the 2022 First Six-month Period. The significant increase in the segmental profit was primarily due to the net fair value gains of approximately HK$12.83 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2023, as compared to net fair value losses of approximately HK$5.20 million for the 2022 First Six-month Period together with increase in revenue during the 2023 First Six-month Period. The fair value gains for the 2023 First Six-month Period was in line with the improvement in the general market conditions of the residential, commercial and industrial property market in Hong Kong and Mainland China.

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

Property under Development

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

The Au Tau Land covers a site area of about 3,663.9 square meters and is currently occupied by Pun Uk, which is a Grade 1 historical building built in the 1930s. 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. Pun Uk 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 is valid for four years until August 2026.

Pursuant to the Re-development Project, there will be three non-domestic buildings comprising the existing Pun Uk and two new buildings to be constructed as RCHE. The north building of the proposed RCHE will have six storeys, i.e. basement, 1/F to 6/F, whereas the south building will have five storeys, i.e. 1/F to 5/F. Essential functional areas/facilities, such as administrative office, dining area, staff room and other supporting facilities would be provided and developed at the detailed design stage. In addition, there will be car parking spaces. Under the prevailing outline zoning plan (the "OZP"), the Au Tau Land is categorised as land that may be used for "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 permission from the TPB. Pun Uk will be revitalised, and certain areas will also be used as regional recreation, sports and cultural facilities for Yuen Long district.

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

Hotel Business

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

During the 2023 First Six-month Period, the average number of available room nights was 76 and the occupancy rate was approximately 98%. The gross revenue from hotel business for the 2023 First Six-month Period amounted to approximately HK$4.80 million. Segmental loss for the 2023 First Six-month Period amounted to approximately HK$0.53 million, as compared to approximately HK$3.15 million for the 2022 First Six-month Period.

The J Link Hotel aims to attract short-haul international travellers and/or Hong Kong residents for staycation. The Directors believe that both the room occupancy and the average room rates will benefit from the recovery of the international travel and the relaxation of travel restrictions in Hong Kong since the early of 2023.

Paint and Coating Business

Further information on the paint and coating business is set forth in the result announcement of the CPM for the six months ended 30 June 2023 and the following information on the paint and coating business is extracted for ease of reference.

General Background

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

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for approximately 33.8% (2022: 37.4%), 43.0% (2022: 43.4%) and 23.2% (2022: 19.2%) of the total revenue of paint and coating business of the CPM Group for the six months ended 30 June 2023, respectively. The CPM Group continues to focus on Mainland China market which contributed to approximately 86.9% (2022: approximately 88.1%) of the total revenue in 2023.

Segmental Results

Revenue from paint and coating products

The revenue of the CPM Group from sales of paint and coating products (the "Paint Sales") for the six months ended 30 June 2023 amounted to approximately HK$233.89 million, representing a significant decrease of 24.6% as compared to approximately HK$310.15 million for the six months ended 30 June 2022.

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

For the 2023 First Six-month Period, the Paint Sales to the construction and renovation contractors for property and infrastructure projects in Mainland China amounted to HK$73.48 million, represented a decrease of 29.5% as compared to the amount of HK$104.19 million recorded during the 2022 First Six-month Period. According to the information released by the National Bureau of Statistics of China (the "NBSC") on the real estate industry in Mainland China in the first half of 2023, there were a 6.7% decrease in the cumulative construction area of construction-in-progress and a 24.9% decrease in the newly started construction area of real estate projects, as compared to the first half of 2022. The significant decrease in the Paint Sales was primarily attributed to the unfavourable real estate market in Mainland China and the tightening of the credit control policy adopted by the CPM Group in response to the prevailing market conditions. During the 2023 First Six-month Period, there was a significant variation in the pre-sale area among the prominent real estate developers in Mainland China, ranging from -29.9% to 71.8%. The sluggish real estate market in Mainland China, different geographical locations of the development projects and diverse completion timelines have resulted in the variation in the pre-sale area among the prominent real estate developers in Mainland China.

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

For the 2023 First Six-month Period, the Paint Sales to industrial manufacturers in Mainland China decreased by 31.5% or HK$25.99 million as compared to the 2022 First Six-month Period. This was primary due to a decrease in demand from customers operating in sectors such as metal products, industrial machinery and plant, plastic toys, and other sectors. According to the information from the NBSC, the China industrial capacity utilisation rate in manufacturing sector decreased by 1.0% during the first half of 2023, as compared to a decrease of 2.5% during the first half of 2022. Furthermore, there was a decrease of 56.5%, 18.0%, and 0.7% in the production volume of industrial products, specifically metal containers, excavators and excavating shovels, and plastic products, respectively, during the 2023 First Six-month Period, as compared to the 2022 First Six-month Period.

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

For the 2023 First Six-month Period, the Paint Sales to wholesale and retail distributors in Mainland China decreased by 17.1% or HK$14.81 million as compared to the 2022 First Six-month Period. This was primarily due to the intense competition prevalent in the paint and coating industry in Mainland China and the implementation of the effective business revamp measures and initiatives (the "Business Revamp Measures and Initiatives") which aimed at enhancing the gross profit margin of the CPM Group.

Cost of raw materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for a substantial portion of the total cost of raw materials. Generally speaking, prices of such raw materials are directly or indirectly affected by crude oil prices. However, despite the decrease of 25% in crude oil prices per barrel, ranging from US$70 to US$80 per barrel during the 2023 First Six-month Period, as compared to a range of US$83 to US$115 per barrel for the 2022 First Six-month Period, the raw material prices did not correspond proportionately to the crude oil prices during the 2023 First Six-month Period. The percentage of raw material costs to the Paint Sales decreased by 8.0%, resulting in a decrease to 63.2% compared to 68.7% for the 2022 First Six-month Period.

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

As mentioned above, the paint and coating industry experienced a reduction in raw material costs due to the decrease in crude oil prices during the 2023 First Six-month Period. The CPM Group achieved a substantial increase of 34.2% in gross profit margin for the Paint Sales, reaching 27.1% for the 2023 First Six-month Period. This represented a significant improvement as compared to that of 20.2% in the corresponding period in 2022. Despite the 24.6% decrease in the Paint Sales, the gross profit generated from the Paint Sales demonstrated a modest 1.4% growth, amounting to HK$0.87 million, as compared to the 2022 First Six-month Period. This was due to the implementation of the Business Revamp Measures and Initiatives by the CPM Group which was designed to enhance the gross profit margin and to improve operational efficiency, encompassing manufacturing operations and inventory turnover speed of the CPM Group.

Selling and Distribution Expenses and Administrative Expenses

Selling and distribution expenses decreased by 25.7% amounting to HK$34.88 million for the 2023 First Six-month Period, as compared to HK$46.92 million for the 2022 First Six-month Period. Such decrease was attributed to (i) a reduction of 32.0% in the transportation costs as a result of the decrease in the Paint Sales; (ii) a decrease of 65.6% in the advertising and promotion expenses; and (iii) a decrease of 60.4% in the entertainment expenses; and (iv) cost reductions on the expenses in relation to the selling and distribution of the CPM Group for the 2023 First Six-month Period.

Administrative expenses decreased by 17.8% to HK$42.08 million for the 2023 First Six-month Period, as compared to the expenses of HK$51.15 million for the 2022 First Six-month Period. Such decrease was primarily due to the implementation of cost-saving measures by the CPM Group through the integration of production facilities in Mainland China since 2022 and reduction of administrative expenses such as a reduction of HK$3.41 million in staff costs during the 2023 First Six-month Period.

Other Businesses

Equity Investments Designated at Fair Value Through Other Comprehensive Income

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

According to the annual report of Chuang's China for the year ended 31 March 2023, 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 on a phase-by-phase basis. 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 different phases. Site formation and construction works are in progress on parts of the land.

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

Financial 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 has appointed an investment fund manager to operate a captive investment fund in order to take the advantage of professional analysis and expertise as well as the risk management in the global financial markets.

For the 2023 First Six-month Period, the investment has recorded a realised net losses on investment in listed securities of HK$0.14 million and an unrealised net losses on investment in listed securities of HK$0.01 million, as compared with HK$0.35 million and HK$0.42 million, respectively, for the 2022 First Six-month Period.

Iron and Steel Trading Business

The iron and steel trading business of the Group has ceased from the end of December 2022 because of the small scale business operation and the volatility of the iron and steel markets.

FINANCIAL REVIEW

Liquidity and Financial Information

The business operation of the Group is principally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to approximately HK$320.98 million as at 30 June 2023 as compared to approximately HK$386.87 million as at 31 December 2022. The decrease in the balance of cash and cash equivalents was primarily due to the change in working capital. The total cash and bank balances, including pledge deposits, amounted to approximately HK$361.95 million as at 30 June 2023 as compared to approximately HK$429.08 million as at 31 December 2022.

Bank borrowings amounted to approximately HK$263.30 million as at 30 June 2023 as compared to approximately HK$289.12 million as at 31 December 2022. The bank borrowings of the Group mainly bear interest at floating rates. The total bank borrowings of the Group as at 30 June 2023 amounted to approximately HK$263.30 million (100.0%) was payable within one year. The cash and bank balances and bank borrowings of the Group are mainly denominated in Hong Kong dollars and Renminbi. The results of the Group can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2023. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' funds, was 19.1% as at 30 June 2023 as compared to 19.9% as at 31 December 2022. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.36 times as at 30 June 2023 as compared to 1.39 times as at 31 December 2022.

For the 2023 First Six-month Period, the inventory turnover days[1] were 30 days as compared to 48 days for the 2022 First Six-month Period. The trade and bills receivables turnover days[2] for the 2023 First Six-month Period were 211 days as compared to 225 days for the 2022 First Six-month Period.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 181 days (30 June 2022: 181 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 181 days (30 June 2022: 181 days).

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2023 was approximately HK$1,379.29 million as compared to approximately HK$1,450.57 million as at 31 December 2022. Shareholders' funds per share as at 30 June 2023 was HK$0.72 as compared to HK$0.76 as at 31 December 2022. Net asset value per share as at 30 June 2023 was HK$0.79 as compared to HK$0.83 as at 31 December 2022. Fluctuations in the foreign currency exchange rates between Hong Kong dollar (the reporting currency) and Renminbi could have a significant impact and may lead to volatility in the operating results of the Group.

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, 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$741.22 million as at 30 June 2023, as compared to approximately HK$746.45 million as at 31 December 2022, and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities, and bills payable and performance bonds. As at 30 June 2023, the total outstanding secured bank borrowings amounted to approximately HK$206.30 million as compared to approximately HK$207.70 million as at 31 December 2022, lease liabilities amounted to approximately HK$0.04 million as at 30 June 2023 as compared to approximately HK$0.06 million as at 31 December 2022, and bills payable amounted to approximately HK$112.18 million as at 30 June 2023 as compared to approximately HK$134.66 million as at 31 December 2022.

STAFF

As at 30 June 2023, the Group employed a total of 551 employees, as compared to 698 employees as at 30 June 2022. Staff costs (excluding directors' emoluments) amounted to approximately HK$55.50 million (including related equity-settled share-based payments of approximately HK$0.92 million) for the 2023 First Six-month Period as compared to approximately HK$70.97 million for the 2022 First Six-month Period. The Group has a comprehensive and competitive staff remuneration and benefits system which is based on the performance of individual employees. In addition, the Group also provides a staff option scheme.

BUSINESS OUTLOOK

The Directors believe that the global business environment has gradually improved during the 2023 First Six-month Period, even though such economic recovery is still affected by certain uncertainties, such as geopolitical tension in different regions, the Russia-Ukraine conflict and the global inflation. The economy rebound in Mainland China appeared uneven during the 2023 First Six-month Period. In particular, the property sector was sluggish and the levels of foreign investments to Mainland China and the domestic consumption in the country were not recovering and improving at such pace as originally anticipated.

With the total removal of the quarantine restrictions in January 2023, Hong Kong economy has improved visibly during the 2023 First Six-month Period.

Looking ahead to the second half of 2023, the operating environment for the CPM Group remains uncertain. For the past seven months, there has been a decline in the amount of the total investments in (i) the real estate sector by property developers; and (ii) property and plant equipment by non-government organisations (such as private companies or individuals) in Mainland China. The CPM Group will monitor the pace of the economic recovery and assess the implications of any potential government stimulus measures to the customers of paint and coating industry in Mainland China. Furthermore, the global economy is affected by uncertainties such as elevated cost of capital and funds. This may affect the valuation of the investment property portfolios and place pressure on the finance costs of the CPM Group. In response, the CPM Group has taken measures to reduce short-term bank borrowings by 10.6% to HK$212.04 million as at 30 June 2023, compared to HK$237.26 million as at 31 December 2022. This improvement has been achieved through the enhancement of the profitability, implementation of cost-saving measures, and optimisation of working capital of the CPM Group. Significantly, this signifies a robust step in the right direction towards bolstering the financial position, enhancing financial performance, and improving operating cash flows of the CPM Group. The CPM Group will continue to explore various alternative possibilities to further strengthen the financial position, improve financial performance, enhance operating cash flows, and augment the net current liquidity of the CPM Group.

Against this backdrop, the CPM Group perseveres in optimising the Business Revamp Measures and Initiatives. The objectives are twofold: (i) to enrich the product portfolio and ensure competitiveness; and (ii) to enhance operational efficiency and achieve cost reductions. The CPM Group will continue to adopt a prudent approach to risk management and remain cautious to its business status.

The Directors aware that the overall property leasing markets for offices and residential properties has turned pessimistic during the 2023 First Six-month Period because imports of Mainland China contracted sharply in the 2023 First Six-month Period, while exports rose at a slower pace, reinforcing signs of feeble domestic demand despite the lifting of COVID curbs. In addition, the debt crisis of a leading property developer in Mainland China recently could delay the prospect and recovery of both property market and the boarder Mainland China economy.

For the property leasing market in Hong Kong, the demand for office space in Hong Kong continues to show a downward trend due to a number of reasons. Some companies have relocated their headquarters or regional offices to other countries or territories because of the pandemic. The trend of remote working also reduces the demand for centralised and dedicated office space. However, small and medium-sized businesses may continue to use physical offices. The demand for commercial offices is therefore expected to gradually improve in the near future. Office leasing is expected to improve, so as the rental and return of investment properties during the rest of 2023.

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

The hotel business of the Group should rebound in 2023 on a yearly basis because of the increase in the number of tourists visiting Hong Kong.

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the period under review.

CORPORATE GOVERNANCE

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. Throughout the six months ended 30 June 2023, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 to the Listing Rules.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2023.

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

Hong Kong, 29 August 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.