



**CNT GROUP LIMITED**  
**北海集團有限公司**

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

**Interim Report**  
**2023**



KEEP MOVING **FORWARD**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Tsui Ho Chuen, Philip  
Zhang Yulin

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Fok Pik Yi, Carol

## AUDITORS

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

## SHARE REGISTRARS

### Hong Kong

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

### Bermuda

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

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

## PRINCIPAL OFFICE

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

## WEBSITE

[www.cntgroup.com.hk](http://www.cntgroup.com.hk)



## 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

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



# Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
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
<b>Total non-current assets</b>		<b>1,369,961</b>	<b>1,391,219</b>
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>		<b>757,978</b>	<b>910,288</b>
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>555,613</b>	<b>653,245</b>
<b>NET CURRENT ASSETS</b>		<b>202,365</b>	<b>257,043</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,572,326</b>	<b>1,648,262</b>



# Condensed Consolidated Statement of Financial Position

30 June 2023

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



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

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

	Attributable to owners of the parent											
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Reserve funds* (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2022	190,369	88,970	182,167	61,049	7,523	24,391	(178,392)	22,603	1,147,318	1,545,998	135,934	1,681,932
Loss for the period	-	-	-	-	-	-	-	-	(46,080)	(46,080)	(12,732)	(58,812)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(33,189)	-	-	-	(33,189)	(7,831)	(41,020)
Total comprehensive loss for the period	-	-	-	-	-	(33,189)	-	-	(46,080)	(79,269)	(20,563)	(99,832)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	4,303	4,303
Final 2021 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	(38,074)	-	(38,074)
At 30 June 2022	<u>190,369</u>	<u>88,970<sup>#</sup></u>	<u>144,093<sup>#</sup></u>	<u>61,049<sup>#</sup></u>	<u>7,523<sup>#</sup></u>	<u>(8,798)<sup>#</sup></u>	<u>(178,392)<sup>#</sup></u>	<u>22,603<sup>#</sup></u>	<u>1,101,238<sup>#</sup></u>	<u>1,428,655</u>	<u>119,674</u>	<u>1,548,329</u>

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

# These reserve accounts comprise the consolidated reserves of HK\$1,188,921,000 (30 June 2022: HK\$1,238,286,000) in the condensed consolidated statement of financial position.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit/(loss) before working capital changes	12,523	(30,790)
Decrease in inventories	12,948	12,592
Decrease in trade and bills receivables	57,549	33,965
Decrease/(increase) in prepayments, deposits and other receivables	(10,192)	1,417
Decrease/(increase) in financial assets at fair value through profit or loss	(16)	2,050
Decrease in trade and bills payables	(33,851)	(80,711)
Decrease in other payables and accruals	(25,976)	(12,755)
Increase in deposit received	557	–
Exchange realignment	4,135	2,113
	<hr/>	<hr/>
Cash generated from/(used in) operations	17,677	(72,119)
Interest paid	(6,244)	(2,847)
Interest element of lease payments	(225)	(85)
Overseas taxes refunded/(paid)	(140)	135
	<hr/>	<hr/>
Net cash flows from/(used in) operating activities	11,068	(74,916)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(2,738)	(2,738)
Proceeds from disposal of items of property, plant and equipment	907	309
Interest received	2,444	1,628
Dividend received from an associate	650	1,581
Dividend received from financial assets at fair value through profit or loss	8	132
Deposits paid for purchases of property, and plant and equipment	–	(16,443)
Decrease/(increase) in pledged time deposits with original maturity of more than three months when acquired, net	(625)	5,775
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	646	(9,756)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	168,615	206,421
Repayment of bank loans	(194,122)	(190,599)
Dividend paid	(38,074)	(38,074)
Principal portion of lease payments	(1,917)	(1,713)
	<hr/>	<hr/>
Net cash flows used in financing activities	(65,498)	(23,965)



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(53,784)</b>	(108,637)
Cash and cash equivalents at beginning of period	<b>386,874</b>	455,165
Effect of foreign exchange rate changes, net	<b>(12,106)</b>	(8,085)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>320,984</b>	338,443
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>228,087</b>	157,702
Non-pledged time deposits with original maturity of less than three months when acquired	<b>92,897</b>	180,741
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>320,984</b>	338,443
	<hr/>	<hr/>



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

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.



# Notes to the Condensed Consolidated Financial Statements

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (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 purposes of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the profit/loss before tax of the Group except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

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 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 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.



# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

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
<b>Segment revenue</b>					
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
	<u>237,481</u>	<u>32,049</u>	<u>4,803</u>	<u>452</u>	<u>274,785</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(1,616)</u>
Total					<u><u>273,169</u></u>
<b>Segment results</b>	<b>(15,251)</b>	<b>28,167</b>	<b>(527)</b>	<b>(2,074)</b>	<b>10,315</b>
<i>Reconciliation:</i>					
Elimination of intersegment results					<u>(399)</u>
Interest income					3,580
Finance costs					(6,509)
Corporate and other unallocated expenses					<u>(10,472)</u>
Loss before tax					<u><u>(3,485)</u></u>

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)
<b>Segment revenue</b>					
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
	<u>313,662</u>	<u>15,284</u>	<u>1,327</u>	<u>(826)</u>	<u>329,447</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(2,363)</u>
Total					<u><u>327,084</u></u>
<b>Segment results</b>	<b>(43,744)</b>	<b>5,578</b>	<b>(3,153)</b>	<b>(1,251)</b>	<b>(42,570)</b>
<i>Reconciliation:</i>					
Elimination of intersegment results					<u>(45)</u>
Interest income					1,988
Finance costs					(3,005)
Corporate and other unallocated expenses					<u>(14,626)</u>
Loss before tax					<u><u>(58,258)</u></u>



# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 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
<b>Segment assets</b>	717,788	905,591	282,175	68,951	1,974,505
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(784)
Corporate and other unallocated assets					<u>154,218</u>
Total assets					<u><u>2,127,939</u></u>
<b>Segment liabilities</b>	498,564	111,334	7,311	2,777	619,986
<i>Reconciliation:</i>					
Elimination of intersegment payables					(784)
Corporate and other unallocated liabilities					<u>1,170</u>
Total liabilities					<u><u>620,372</u></u>
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
<b>Segment assets</b>	894,058	845,651	282,379	69,661	2,091,749
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(785)
Corporate and other unallocated assets					<u>210,543</u>
Total assets					<u><u>2,301,507</u></u>
<b>Segment liabilities</b>	594,580	104,731	9,408	2,917	711,636
<i>Reconciliation:</i>					
Elimination of intersegment payables					(785)
Corporate and other unallocated liabilities					<u>3,483</u>
Total liabilities					<u><u>714,334</u></u>



# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

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
<b>Segment capital expenditure</b>					
Capital expenditure	2,737	–	1	–	2,738
Corporate and other unallocated capital expenditure					–
					<b>2,738*</b>
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
<b>Segment capital expenditure</b>					
Capital expenditure	17,801	–	1,378	–	19,179
Corporate and other unallocated capital expenditure					2
					<b>19,181*</b>

\* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets 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)
<i>Revenue from contracts with customers</i>		
Sale of paint products	233,886	310,152
Sale of iron and steel products	–	636
Hotel operation	4,803	1,027
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases	17,599	9,881
	<b>256,288</b>	<b>321,696</b>



# Notes to the Condensed Consolidated Financial Statements

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

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023	Paint products (Unaudited) HK\$'000	Iron and steel products (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<u>Segments</u>				
<b>Types of goods or services</b>				
Sale of industrial products	233,886	–	–	233,886
Hotel operation	–	–	4,803	4,803
Total revenue from contracts with customers	<u>233,886</u>	<u>–</u>	<u>4,803</u>	<u>238,689</u>
<u>Geographical markets</u>				
Hong Kong	32,031	–	4,803	36,834
Mainland China	201,855	–	–	201,855
Total revenue from contracts with customers	<u>233,886</u>	<u>–</u>	<u>4,803</u>	<u>238,689</u>
<u>Timing of revenue recognition</u>				
Goods transferred at a point in time	233,886	–	–	233,886
Service satisfied over time	–	–	4,803	4,803
Total revenue from contracts with customers	<u>233,886</u>	<u>–</u>	<u>4,803</u>	<u>238,689</u>
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
<u>Segments</u>				
<b>Types of goods or services</b>				
Sale of industrial products	310,152	636	–	310,788
Hotel operation	–	–	1,027	1,027
Total revenue from contracts with customers	<u>310,152</u>	<u>636</u>	<u>1,027</u>	<u>311,815</u>
<u>Geographical markets</u>				
Hong Kong	36,790	–	1,027	37,817
Mainland China	273,362	636	–	273,998
Total revenue from contracts with customers	<u>310,152</u>	<u>636</u>	<u>1,027</u>	<u>311,815</u>
<u>Timing of revenue recognition</u>				
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	<u>310,152</u>	<u>636</u>	<u>1,027</u>	<u>311,815</u>



# Notes to the Condensed Consolidated Financial Statements

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

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000 (Restated)
<b>Other income and gains, net</b>		
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 <sup>^</sup>	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
	<b>7,627</b>	<b>7,376</b>

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

<sup>^</sup> During the six months ended 30 June 2023, the PRC government granted subsidies of HK\$2,399,000 for the removal of solvent production lines and solvent storage tanks in the production plant located in Hubei, Mainland China. Furthermore, a subsidy of HK\$16,000 was granted for relocating the main factory entrances within the complex situated in Shanghai, Mainland China. There 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.



# Notes to the Condensed Consolidated Financial Statements

## 4. FINANCE COSTS

An analysis of finance costs is as follows:

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

## 5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) 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
	<b>36</b>	<b>2</b>

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

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



# Notes to the Condensed Consolidated Financial Statements

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group 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.

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Elsewhere		
Charge for the period	95	–
Overprovision in prior years	–	(186)
Deferred	2,453	740
Total tax charge for the period	2,548	554

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).



# Notes to the Condensed Consolidated Financial Statements

## 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

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

The investment properties of the Group consist of residential, commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that investment properties consist of five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential, commercial and industrial properties in the PRC during the period (31 December 2022: five classes of asset, i.e., commercial properties and serviced apartment in Hong Kong and residential, commercial and industrial properties in the PRC), based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2023 based on valuations performed by BMI Appraisals Limited and 中山市安平房地產評估有限公司, the independent professional qualified valuers. The finance department of the Group which reports directly to the senior management selects external valuers to be responsible for the external valuations of the properties of the Group based on market knowledge, reputation and independence of the external valuers, and whether professional standards are maintained by the external valuers. Fair values of the investment properties of the Group are generally derived by using the income capitalisation method, the market comparison approach and the depreciated replacement cost approach. The finance department of the Group has discussions with the external valuers on the valuation assumptions and valuation results when the valuations are performed for interim and annual financial reporting.

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

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

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



# Notes to the Condensed Consolidated Financial Statements

## 10. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy

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

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average	
				30 June 2023	31 December 2022
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$22 to HK\$81	HK\$22 to HK\$108
			Capitalisation rates	2.2% to 2.9%	2% to 2.8%
Residential and commercial composite building in Hong Kong	Level 3	Market comparison approach	Prevailing market rates (per sq.ft.)	HK\$17,212 to HK\$48,365	HK\$17,239 to HK\$46,393
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB205 to RMB242	RMB173 to RMB251
			Capitalisation rates	3.5% to 5.0%	3.5% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB6,085 to RMB46,800	RMB6,296 to RMB45,857
			Estimated replacement cost (per sq.m.)	RMB939 to RMB2,508	Nil
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB13.1 to RMB46	RMB14 to RMB47
			Capitalisation rates	5.0% to 8.8%	5.5% to 8.5%
		Market comparison approach and depreciated replacement cost approach	Prevailing market rates (per sq.m.)	RMB1,382 to RMB3,026	Nil
			Estimated replacement cost (per sq.m.)	RMB939 to RMB2,508	Nil
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB9,689 to RMB61,973	RMB9,649 to RMB61,204
			Capitalisation rates	1.5% to 3.5%	2.0% to 3.5%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB9,689 to RMB61,973	RMB9,649 to RMB61,204

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2022: Nil).

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

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



# Notes to the Condensed Consolidated Financial Statements

## 10. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

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

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

	Commercial properties in Hong Kong (Unaudited) HK\$'000	Residential and commercial composite building in Hong Kong (Unaudited) HK\$'000	Commercial properties in Mainland China (Unaudited) HK\$'000	Industrial properties in Mainland China (Unaudited) HK\$'000	Residential properties in Mainland China (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Carrying amount at 1 January 2023	176,000	133,700	88,097	266,884	64,398	729,079
Fair value gains/(losses), net	(1,600)	1,400	(1,517)	15,991	(1,440)	12,834
Transfer from an owner						
– occupied property	–	–	–	61,243	–	61,243
Exchange realignment	–	–	(3,842)	(15,614)	(2,800)	(22,256)
Carrying amount at 30 June 2023	<u>174,400</u>	<u>135,100</u>	<u>82,738</u>	<u>328,504</u>	<u>60,158</u>	<u>780,900</u>

## 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
	<u>298,530</u>	<u>370,601</u>

# Notes to the Condensed Consolidated Financial Statements

## 12. TRADE AND BILLS PAYABLES

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

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of CPM of HK\$0.10 each were granted to three directors of CPM and five employees of the CPM Group under the share option scheme (the "CPM Scheme") adopted by CPM on 4 June 2020 (the "Adoption Date"). The CPM Scheme was adopted by CPM for the purpose of providing incentives to attract and retain employees of the CPM Group, as well as other eligible participants (including, but not limited to, executive directors, non-executive directors and independent non-executive directors of CPM, any supplier of goods or services to any member of the CPM Group and any customer of the CPM Group) who made contributions to the CPM Group. Unless terminated by resolution in general meeting or by the board of directors of CPM, the CPM Scheme shall be valid and effective for a period of 10 years commencing on 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.



# Notes to the Condensed Consolidated Financial Statements

## 13. SHARE OPTION SCHEME (continued)

### Share Option Scheme of CPM (continued)

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

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

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

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

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

The summary below sets forth the details of movement of share options granted as at 30 June 2023 pursuant to the CPM Scheme:

	Date of grant	Exercise period (Note)	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2023
				Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
Directors of CPM	15 June 2022	15 June 2022 to 14 June 2027	0.335	30,000,000	-	-	-	30,000,000
Employees of the CPM Group	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	-	-	-	50,000,000
Total				80,000,000	-	-	-	80,000,000





# Notes to the Condensed Consolidated Financial Statements

## 13. SHARE OPTION SCHEME (continued)

### Share Option Scheme of CPM (continued)

Note:

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

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

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

No share options were granted under the CPM Scheme during the six months ended 30 June 2023 (six months ended 30 June 2022: the fair value of the share options granted under the CPM Scheme on 15 June 2022 was HK\$8,417,000). Share option expense of approximately HK\$1,224,000 was recognised by the CPM Group during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$4,303,000).

The fair value of equity-settled share options granted during the six months ended 30 June 2022 was estimated as at the date of grant, using a Binomial Option Pricing Model (the "Model"), taking into account the terms and conditions upon which the share options were granted. The Model is one of the commonly used models to estimate the fair value of 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 other feature of the share options granted was incorporated into the measurement of fair value.

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

At the date of approval of these financial statements, CPM had 80,000,000 share options outstanding under the CPM Scheme, which represented 8% of CPM's shares in issue as at that date.



# Notes to the Condensed Consolidated Financial Statements

## 14. CAPITAL COMMITMENTS

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

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	<b>3,220</b>	1,592

## 15. RELATED PARTY TRANSACTIONS

- (a) Outstanding balance with related parties

The amount due to an associate included in the Group's current liabilities as at 30 June 2023 of HK\$2,800,000 (31 December 2022: HK\$2,800,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

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

	<b>Six months ended 30 June</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
Short term employee benefits	<b>1,284</b>	1,843
Post-employment benefits	<b>9</b>	18
Equity-settled share option expenses	<b>153</b>	538
Total compensation paid/payable to key management personnel	<b>1,446</b>	2,399

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair value of the listed equity investments and unlisted club membership debenture are based on quoted market prices.



# Notes to the Condensed Consolidated Financial Statements

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

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

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

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

### Fair value hierarchy

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

	Fair value measurement using			Total (Unaudited) HK\$’000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$’000	Significant observable inputs (Level 2) (Unaudited) HK\$’000	Significant unobservable inputs (Level 3) (Unaudited) HK\$’000	
<i>Assets measured at fair value:</i>				
<b>At 30 June 2023</b>				
Equity investments designated at fair value through other comprehensive income	–	300	41,804	42,104
Financial assets at fair value through profit or loss	274	–	–	274
	<b>274</b>	<b>300</b>	<b>41,804</b>	<b>42,378</b>

*Assets measured at fair value:*

### At 30 June 2023

Equity investments designated at fair value through other comprehensive income

Financial assets at fair value through profit or loss



# Notes to the Condensed Consolidated Financial Statements

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

### Fair value hierarchy (continued)

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
<i>Assets measured at fair value:</i>				
At 31 December 2022				
Equity investments designated at fair value through other comprehensive income	–	300	41,804	42,104
Financial assets at fair value through profit or loss	407	–	–	407
	<u>407</u>	<u>300</u>	<u>41,804</u>	<u>42,511</u>

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

	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January and 30 June	<u>41,804</u>	<u>47,687</u>

### *Liabilities measured at fair value:*

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (six months ended 30 June 2022: Nil).

## 17. COMPARATIVE AMOUNTS

As further explained in note 2 to the unaudited condensed consolidated interim 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.

## 18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 August 2023.



# 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 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.



# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **Investment Property Business** (continued)

#### **Investment Properties** (continued)

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.



# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **Investment Property Business** (continued)

#### **Property under Development** (continued)

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, as compared to approximately HK\$1.03 million for the 2022 First Six-month Period. 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.

# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **Paint and Coating Business**

Further information on the paint and coating business is set forth in the interim report of CPM for the six months ended 30 June 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.





# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **Paint and Coating Business** (continued)

#### **Segmental Results** (continued)

##### ***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**

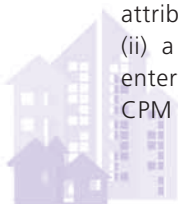
Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for a substantial portion of the total cost of raw materials. Generally speaking, prices of such raw materials are directly or indirectly affected by crude oil prices. However, despite 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.



# Management Discussion and Analysis

## **BUSINESS REVIEW** (continued)

### **Paint and Coating Business** (continued)

#### **Selling and Distribution Expenses and Administrative Expenses** (continued)

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.



# Management Discussion and Analysis

## 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<sup>1</sup> were 30 days as compared to 48 days for the 2022 First Six-month Period. The trade and bills receivables turnover days<sup>2</sup> for the 2023 First Six-month Period were 211 days as compared to 225 days for the 2022 First Six-month Period.

### 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.

<sup>1</sup> 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).

<sup>2</sup> 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).



# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### 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.



# Management Discussion and Analysis

## **BUSINESS OUTLOOK** (continued)

Against this backdrop, the CPM Group perseveres in optimising the Business Revamp Measures and Initiatives. The objectives are twofold: (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.



## Other Information

### INTERIM DIVIDEND

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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

#### The Company

As at 30 June 2023, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Capacity	Number of shares				Total	Percentage of the total number of shares in issue
		Personal interests	Family interests	Corporate interests	Other interests		
Tsui Ho Chuen, Philip	Interest of controlled corporation	-	-	552,805,226 (Note)	-	552,805,226	29.03%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	-	-	-	503,374	0.02%

Note: The 552,805,226 shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

#### CPM

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

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

Save as disclosed above, as at 30 June 2023, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

# Other Information

## SHARE OPTIONS

### Share Option Scheme of the Company

The existing share option scheme was adopted by the Company on 2 June 2022 (the "Scheme"). From the date of adoption of the Scheme up to the period ended 30 June 2023, no share option has been granted under the Scheme. As at 1 January 2023 and 30 June 2023, the number of share options available for grant under the Scheme was 190,368,569 respectively, representing 10% of the issued share capital of the Company. There was no service provider sublimit set under the Scheme.

### Share Option Scheme of CPM

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

Name	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as at 30 June 2023
<b>Executive director of CPM</b>								
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	10,000,000
<b>Executive director of CPM</b>								
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	10,000,000
<b>Non-executive director of CPM</b>								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	10,000,000
<b>Employees of the CPM Group</b>								
	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	-	-	-	50,000,000
				<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000,000</u>



# Other Information

## SHARE OPTIONS (continued)

### Share Option Scheme of CPM (continued)

Notes:

- (1) The above share options granted have the vesting period and are/would be exercisable as follows:
  - (a) 50% of the share options vested on and are exercisable from the date of grant of the share options, i.e. 15 June 2022;
  - (b) 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023;
  - (c) 10% of the share options shall vest on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and would be exercisable from 15 June 2024;
  - (d) 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025; and
  - (e) the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026.
- (2) The closing price of the shares of CPM on 14 June 2022, being the date immediately before the date on which the above share options were granted under the CPM Scheme, was HK\$0.335.
- (3) The number of share options available for grant under the CPM Scheme as at 1 January 2023 and 30 June 2023 were 20,000,000 respectively.
- (4) There was no service provider sublimit set under the CPM Scheme.
- (5) During the six months ended 30 June 2023, no share options were granted under the CPM Scheme. The number of shares of CPM that may be issued in respect of share options granted under the CPM Scheme during the six months ended 30 June 2022 divided by the weighted average number of shares of CPM in issue for the six months ended 30 June 2022 was 8%.
- (6) Details of the value of the share options granted under the CPM Scheme are set out in note 13 to the financial statements.
- (7) Other than the share options stated above, no share options had been granted by CPM to other participants pursuant to the CPM Scheme. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the review period.





## Other Information

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2023, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the directors of the Company) had interests in the shares and underlying shares of the Company:

Name	Notes	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of the total number of shares in issue
<b>10% or more of the total shares in issue</b>					
Prime Surplus Limited	1	Beneficial owner	552,805,226	–	29.03%
Ho Mei Po, Mabel	2	Interest of spouse	552,805,226	–	29.03%
Chinaculture.com Limited	3	Beneficial owner	368,363,181	–	19.35%
Chuang's China Investments Limited	3	Interest of controlled corporation	368,363,181	–	19.35%
Profit Stability Investments Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chuang's Consortium International Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Evergain Holdings Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Ho Pik Yu	3	Interest of spouse	368,363,181	–	19.35%
<b>Below 10% of the total shares in issue</b>					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

## Other Information

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

Notes:

- (1) The 552,805,226 shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 552,805,226 shares in which her spouse was interested under the SFO.
- (3) The shareholding of 19.35% was based on the disclosure in the annual report of Chuang's Consortium International Limited for the year ended 31 March 2023. The number of shares is based on the shareholding percentage and the total number of shares in issue of the Company as of 30 June 2023. The Company has not been informed on any change in the number of shares held by Chuang's Consortium International Limited.

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

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

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

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

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

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

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2023 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



# Other Information

## **CORPORATE GOVERNANCE**

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

## **CHANGE IN INFORMATION OF DIRECTORS**

There is no change in the information of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of 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 as contained in Appendix 10 to the Listing Rules. After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2023.

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

Hong Kong, 29 August 2023

