CNT GROUP LIMITED
北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2024	2023	Change
Results	**HK$'000**	HK$'000	%
Revenue	**345,901**	495,654	-30.2
Gross profit	**144,565**	174,584	-17.2
Gross profit margin	**41.8%**	35.2%	18.8
Loss for the year	**(89,423)**	(85,220)	4.9
Loss attributable to:			
Shareholders of the Company	**(77,375)**	(68,579)	12.8
Non-controlling interests	**(12,048)**	(16,641)	-27.6
Loss per share (HK cents)			
Basic and diluted	**(4.06)**	(3.60)	12.8

	As at 31 December 2024	As at 31 December 2023	Change
Financial Position	**HK$'000**	HK$'000	%
Cash and cash equivalents and pledged deposits	**308,948**	359,386	-14.0
Bank borrowings	**137,618**	171,450	-19.7
Gearing ratio	**11.3%**	13.0%	-13.1
Net asset value per share (HK$)	**0.70**	0.76	-7.9
Shareholders' funds per share (HK$)	**0.64**	0.70	-8.6

The board of directors (the "Board") of CNT Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024 together with comparative amounts for the corresponding year in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	**2024** HK$'000	2023 HK$'000
REVENUE	3	**345,901**	495,654
Cost of sales		**(201,336)**	(321,070)
Gross profit		**144,565**	174,584
Other income and gains, net	3	**17,857**	14,120
Selling and distribution expenses		**(50,644)**	(61,446)
Administrative expenses		**(96,161)**	(111,358)
Other expenses, net		**(53,632)**	(60,773)
Fair value losses on investment properties, net	10	**(46,604)**	(30,561)
Finance costs	4	**(7,012)**	(12,562)
Share of profits and losses of an associate		**1,480**	1,668
LOSS BEFORE TAX	5	**(90,151)**	(86,328)
Income tax credit	6	**728**	1,108
LOSS FOR THE YEAR		**(89,423)**	(85,220)
ATTRIBUTABLE TO:			
Owners of the parent		**(77,375)**	(68,579)
Non-controlling interests		**(12,048)**	(16,641)
		(89,423)	(85,220)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		**HK(4.06) cents**	HK(3.60) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024	2023
	HK$'000	HK$'000
LOSS FOR THE YEAR	**(89,423)**	(85,220)
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	**(26,913)**	(29,580)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(4,554)**	(8,093)
Gain on property revaluation	**–**	21,273
Income tax effect	**–**	(5,101)
	–	16,172
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(4,554)**	8,079
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(31,467)**	(21,501)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(120,890)**	(106,721)
ATTRIBUTABLE TO:		
Owners of the parent	**(103,738)**	(89,196)
Non-controlling interest	**(17,152)**	(17,525)
	(120,890)	(106,721)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**2024**	2023
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**376,058**	425,520
Investment properties	10	**725,819**	772,933
Property under development		**28,000**	28,000
Right-of-use assets		**45,275**	51,811
Interest in an associate		**2,302**	2,572
Equity investments designated at fair value through other comprehensive income		**29,457**	34,011
Deposits for purchases of property, plant and equipment		**3,971**	4,185
Deposits and prepayments		**796**	764
Deferred tax assets		**18,974**	19,715
Total non-current assets		**1,230,652**	1,339,511
CURRENT ASSETS			
Inventories		**18,664**	27,353
Trade and bills receivables	11	**105,509**	173,707
Prepayments, deposits and other receivables		**53,611**	55,476
Pledged deposits		**22,207**	98,994
Cash and cash equivalents		**286,741**	260,392
Total current assets		**486,732**	615,922
CURRENT LIABILITIES			
Trade and bills payables	12	**125,437**	195,523
Other payables and accruals		**50,897**	60,976
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**137,618**	171,450
Lease liabilities		**3,511**	3,579
Tax payable		**12,208**	11,299
Total current liabilities		**332,471**	445,627
NET CURRENT ASSETS		**154,261**	170,295
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,384,913**	1,509,806

	2024	2023
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**2,889**	3,867
Deferred tax liabilities	**51,477**	56,363
Deferred income	**52**	335
Deposits received	**6,900**	5,181
Total non-current liabilities	**61,318**	65,746
Net assets	**1,323,595**	1,444,060
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,029,192**	1,132,930
	1,219,561	1,323,299
Non-controlling interests	**104,034**	120,761
Total equity	**1,323,595**	1,444,060

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sales and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of finance statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment segment comprises:

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

   (ii) the development and sale of properties;

(c) the hotel business; and

(d) the others segment comprises, principally, investment holding.

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

Year ended 31 December 2024	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	**298,341**	**37,711**	**9,849**	**–**	**345,901**
Intersegment sales	**–**	**2,538**	**–**	**–**	**2,538**
Other revenue and gains, net	**5,400**	**370**	**–**	**5,874**	**11,644**
Intersegment other revenue and gains, net	**–**	**545**	**–**	**5,977**	**6,522**
	303,741	**41,164**	**9,849**	**11,851**	**366,605**
Reconciliation:					
Elimination of intersegment sales					**(2,538)**
Elimination of intersegment other revenue and gains, net					**(6,522)**
Total					**357,545**
Segment results	**(47,788)**	**(14,895)**	**(15,893)**	**11,234**	**(67,342)**
Reconciliation:					
Elimination of intersegment results					**(5,977)**
Interest income					**6,213**
Finance costs					**(7,012)**
Corporate and other unallocated expenses					**(16,033)**
Loss before tax					**(90,151)**
Segment assets	**482,223**	**830,372**	**263,212**	**33,086**	**1,608,893**
Reconciliation:					
Corporate and other unallocated assets					**216,925**
Elimination of inter-company receivables					**(108,434)**
Total assets					**1,717,384**
Segment liabilities	**381,312**	**106,424**	**7,031**	**2,778**	**497,545**
Reconciliation:					
Corporate and other unallocated liabilities					**4,678**
Elimination of inter-company payables					**(108,434)**
Total liabilities					**393,789**

Year ended 31 December 2024	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Other segment information					
Share of profits and losses of an associate	–	(1,480)	–	–	(1,480)
Interest in an associate	–	2,302	–	–	2,302
Depreciation on property, plant and equipment	12,855	1,993	1,848	1	16,697
Corporate and other unallocated depreciation					14
					16,711
Depreciation on right-of-use assets	4,616	1,517	–	–	6,133
Corporate and other unallocated depreciation					14
					6,147
Capital expenditure*	735	1,406	–	–	2,141
Corporate and other unallocated capital expenditure					30
					2,171*
Fair value losses on investment properties, net	–	46,604	–	–	46,604
Loss on revaluation of property, plant and equipment	–	1,311	–	–	1,311
Provision/(reversal of provision) for impairment of trade and bills receivables, net	24,186	–	–	(343)	23,843
Provision for impairment of property, plant and equipment	–	–	15,450	–	15,450
Provision for impairment of right-of-use assets	2,838	–	–	–	2,838
Provision for inventories to net realisable value, net	290	–	–	–	290
Gain on disposal of items of property, plant and equipment, net	(84)	–	–	(3)	(87)
Write-off of items of property, plant and equipment	16	–	–	–	16

* Capital expenditure consists of additions to property, plant and equipment.

Year ended 31 December 2023	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	448,475	36,180	10,999	–	495,654
Intersegment sales	–	3,215	–	–	3,215
Other revenue and gains, net	7,475	961	–	(678)	7,758
	455,950	40,356	10,999	(678)	506,627
Reconciliation:					
Elimination of intersegment sales					(3,215)
Total					503,412
Segment results	(58,152)	1,316	334	(196)	(56,698)
Reconciliation:					
Elimination of intersegment results					(2,536)
Interest income					6,362
Finance costs					(12,562)
Corporate and other unallocated expenses					(20,894)
Loss before tax					(86,328)
Segment assets	639,424	905,608	280,940	54,213	1,880,185
Reconciliation:					
Corporate and other unallocated assets					171,759
Elimination of inter-company receivables					(96,511)
Total assets					1,955,433
Segment liabilities	482,024	111,852	7,474	2,641	603,991
Reconciliation:					
Corporate and other unallocated liabilities					3,893
Elimination of inter-company payables					(96,511)
Total liabilities					511,373

Year ended 31 December 2023	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Other segment information					
Share of profits and losses of an associate	–	(1,668)	–	–	(1,668)
Interest in an associate	–	2,572	–	–	2,572
Depreciation on property, plant and equipment	17,881	2,158	1,848	5	21,892
Corporate and other unallocated depreciation					13
					21,905
Depreciation on right-of-use assets	5,341	1,291	–	–	6,632
Corporate and other unallocated depreciation					14
					6,646
Capital expenditure*	3,989	8	–	–	3,997*
Fair value losses on investment properties, net	–	30,561	–	–	30,561
Loss on revaluation of property, plant and equipment	26	–	–	–	26
Loss on revaluation of right-of-use assets	1,778	–	–	–	1,778
Provision/(reversal of provision) for impairment of trade and bills receivables, net	50,128	–	–	(974)	49,154
Reversal of provision for impairment of property, plant and equipment	(927)	–	–	–	(927)
Reversal of provision for impairment of right-of-use assets	(3,710)	–	–	–	(3,710)
Reversal of provision for inventories to net realisable value, net	(36)	–	–	–	(36)
Gain on disposal of items of property, plant and equipment, net	(553)	–	–	–	(553)
Write-off of items of property, plant and equipment	54	–	–	–	54

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

(a) Revenue from external customers

	2024	2023
	HK$'000	HK$'000
Hong Kong	**74,782**	77,988
Mainland China	**271,119**	417,666
	345,901	495,654

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

(b) Non-current assets

	2024	2023
	HK$'000	HK$'000
Hong Kong	**591,903**	641,158
Mainland China	**590,318**	644,627
	1,182,221	1,285,785

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

Information about major customers

During the years ended 31 December 2024 and 2023, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2024	2023
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of paint products	**298,341**	448,475
Hotel operation	**9,849**	10,999
Revenue from other sources		
Gross rental income from investment properties operating leases	**37,711**	36,180
	345,901	495,654

Disaggregated revenue information for revenue from contracts with customers

For the year ended 31 December 2024	**Paint products HK$'000**	**Hotel business HK$'000**	**Total HK$'000**
Segments			
Types of goods or services			
Sale of industrial products	**298,341**	**–**	**298,341**
Hotel operation	**–**	**9,849**	**9,849**
Total revenue from contracts with customers	**298,341**	**9,849**	**308,190**
Geographical markets			
Hong Kong	**57,201**	**9,849**	**67,050**
Mainland China	**241,140**	**–**	**241,140**
Total revenue from contracts with customers	**298,341**	**9,849**	**308,190**
Timing of revenue recognition			
Goods transferred at a point in time	**298,341**	**–**	**298,341**
Service satisfied over time	**–**	**9,849**	**9,849**
Total revenue from contracts with customers	**298,341**	**9,849**	**308,190**

For the year ended 31 December 2023	Paint products HK$'000	Hotel business HK$'000	Total HK$'000
Segments			
Types of goods or services			
Sale of industrial products	448,475	–	448,475
Hotel operation	–	10,999	10,999
Total revenue from contracts with customers	448,475	10,999	459,474
Geographical markets			
Hong Kong	59,073	10,999	70,072
Mainland China	389,402	–	389,402
Total revenue from contracts with customers	448,475	10,999	459,474
Timing of revenue recognition			
Goods transferred at a point in time	448,475	–	448,475
Service satisfied over time	–	10,999	10,999
Total revenue from contracts with customers	448,475	10,999	459,474

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

	2024 HK$'000	2023 HK$'000
Other income and gains, net		
Bank interest income	**6,213**	6,362
Dividend income from financial assets at fair value through profit or loss held for trading	**–**	8
Foreign exchange difference, net	**255**	–
Government grants*	**438**	836
Government subsidies^	**1,601**	4,077
Recognition of deferred income	**278**	284
Gain on disposal of items of property, plant and equipment, net	**87**	553
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**–**	(3)
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**–**	(154)
Recovery of defence costs from derivative action	**6,421**	–
Others	**2,564**	2,157
	17,857	14,120

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

^ During the year ended 31 December 2024, the PRC tax authority granted to the CPM Group an Advanced Manufacturing Tax Credit Initiative amounting to HK$1,601,000 under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or contingencies relating to these government subsidies.

During the year ended 31 December 2023, the amount was primarily attributed from that the PRC government granted subsidy 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. In addition, the PRC tax authority granted to the CPM Group an Advanced Manufacturing Tax Credit Initiative amounting to HK$1,662,000 under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or contingencies relating to these government subsidies.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	HK$'000	HK$'000
Interest on bank loans	**6,633**	12,100
Interest on lease liabilities	**379**	462
	7,012	12,562

5. LOSS BEFORE TAX

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

	2024	2023
	HK$'000	HK$'000
Cost of inventories sold	**201,336**	321,070
Depreciation of property, plant and equipment	**16,711**	21,905
Depreciation of right-of-use assets	**6,147**	6,646
Dividend income from financial assets at fair value through profit or loss held for trading*	**–**	(8)
Equity-settled share option expenses, net	**425**	1,682
Fair value losses on financial assets at fair value through profit or loss held for trading, net	**–**	3
Fair value losses on investment properties, net	**46,604**	30,561
Foreign exchange differences, net*	**(255)**	2,864
Gain on disposal of items of property, plant and equipment, net*	**(87)**	(553)
Loss on revaluation of property, plant and equipment*	**1,311**	26
Loss on revaluation of right-of-use assets*	**–**	1,778
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**–**	154
Provision for impairment of trade and bill receivables, net*	**23,843**	49,154
Provision for/(reversal of) impairment of property, plant and equipment*	**15,450**	(927)
Provision for/(reversal of) impairment of right-of-use assets*	**2,838**	(3,710)
Provision for/(reversal of provision for) inventories to net realisable value, net@	**290**	(36)
Staff termination cost*	**1,324**	1,226
Write-off of items of property, plant and equipment*	**16**	54

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

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 2024 (2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (2023: 25%) during the year, except for the subsidiaries 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% (2023: 15%) had been applied during the year.

	2024	2023
	HK$'000	HK$'000
Current – Hong Kong		
Over provision in prior years	**(376)**	–
Current – Elsewhere		
Charge for the year	**2,650**	1,038
Under provision in prior years	**3**	1,304
Deferred	**(3,005)**	(3,450)
Total tax credit for the year	**(728)**	(1,108)

The share of tax attributable to an associate amounting to HK$292,000 (2023: HK$329,000) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

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

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$77,375,000 (2023: HK$68,579,000), and the weighted average number of ordinary shares of 1,903,685,690 (2023: 1,903,685,690) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

8. DIVIDEND

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2024, the Group acquired items of properties, plant and equipment at costs of HK$2,171,000 (31 December 2023: HK$3,997,000) and transferred plant and machinery and a commercial property to investment properties at a fair value of HK$15,004,000 (2023: transferred industrial properties and a commercial property to investment properties at a fair value of HK$45,047,000).

10. INVESTMENT PROPERTIES

	2024	2023
	HK$'000	HK$'000
Carrying amount at 1 January	**772,933**	729,079
Fair value losses, net	**(46,604)**	(30,561)
Transfer from owner-occupied properties	**15,004**	45,047
Transfer from right-of-use assets	**–**	43,540
Exchange realignment	**(15,514)**	(14,172)
Carrying amount at 31 December	**725,819**	772,933

The investment properties of the Group consist of residential properties, commercial properties and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that investment properties consist of five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC during the year (31 December 2023: five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential properties, commercial properties and industrial properties in the PRC), based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2024 based on valuations performed by BMI Appraisals Limited, the independent professional qualified valuer. The finance department of the Group which reports directly to the senior management selects an external valuer to be responsible for the external valuations of the properties of the Group based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer.

Fair values of the investment properties of the Group are generally derived by using the income capitalisation method and the depreciated replacement cost approach. The finance department of the Group discussed with the external valuer on the valuation assumptions and valuation results when the valuations were performed for interim and annual financial reporting.

11. TRADE AND BILLS RECEIVABLES

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

The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables 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:

	2024	2023
	HK$'000	HK$'000
Within three months	**57,477**	65,801
Over three months and within six months	**7,585**	21,061
Over six months	**40,447**	86,845
	105,509	173,707

12. TRADE AND BILLS PAYABLES

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

	2024	2023
	HK$'000	HK$'000
Within three months	**49,975**	71,790
Over three months and within six months	**34,389**	62,130
Over six months	**41,073**	61,603
	125,437	195,523

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 31 December 2024, bills payables with an aggregate carrying amount of HK$69,483,000 (31 December 2023: HK$115,694,000) were secured by time deposits of HK$21,570,000 (31 December 2023: HK$98,117,000).

13. SHARE OPTION SCHEMES

Share Option Scheme of the Company

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

The 2022 Scheme will expire on 1 June 2032. During the year ended 31 December 2024 and 2023, no share options were granted under the 2022 Scheme.

Share Option Scheme of CPM

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of CPM of HK$0.10 each were granted to three directors of CPM and five employees of the CPM Group under the share option scheme (the "CPM Scheme") adopted by CPM on 4 June 2020 (the "Adoption Date"). The CPM Scheme was adopted by CPM for the purpose of providing incentives to attract and retain employees of the CPM Group, as well as other eligible participants (including, but not limited to, executive directors, non-executive directors and independent non-executive directors of CPM, any supplier of goods or services to any member of the CPM Group and any customer of the CPM Group) who made contributions to the CPM Group. Unless terminated by resolution in general meeting or by the board of directors of CPM, the CPM Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options will be issued but in all other respects, the provisions of the CPM Scheme shall remain in full force and effect. Further details are set out in the circular of CPM dated 27 April 2020.

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

The following share options were outstanding under the CPM Scheme during the year ended 31 December 2024:

	2024		2023	
	Weighted average exercise price HK$ per share	**Number of share options**	Weighted average exercise price HK$ per share	Number of share options
At 1 January	**0.335**	**80,000,000**	0.335	80,000,000
Lapsed during the year	**0.335**	**(10,000,000)**		–
At 31 December	**0.335**	**70,000,000**	0.335	80,000,000
Vested and exercisable at 31 December	**0.335**	**56,000,000**	0.335	56,000,000

As one of the employees of CPM Group resigned during the year ended 31 December 2024, all share options granted to that employee under the CPM Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the CPM Scheme were exercised, cancelled or lapsed during the year ended 31 December 2024.

In addition, none of the share options granted under the CPM Scheme were exercised, cancelled or lapsed during the year ended 31 December 2023.

No share options were granted under the CPM Scheme during the year ended 31 December 2024 and 2023. The net share option expenses of approximately HK$425,000 were recognised by the CPM Group during the year ended 31 December 2024 (2023: HK$1,682,000).

DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 2 June 2025 to Thursday, 5 June 2025, both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 30 May 2025.

CHAIRMAN'S STATEMENT

OVERVIEW

During the year ended 31 December 2024, the Group was engaged in three principal business segments. The largest business segment of the Group continued to be the paint and coating business operated by CPM which is a 75% non wholly-owned subsidiary of the Company and listed on The Stock Exchange of Hong Kong Limited.

The Group is active in enriching its investment property portfolio for the purposes of increasing the rental income as well as value appreciation. During the year, the revenue of the paint and coating business of the Group decreased and the investment return from the investment property portfolio of the Group increased, both as compared to the year ended 31 December 2023. The revenue from the hotel business of the Group was decreased for the year ended 31 December 2024.

In 2024, the global economic situation was complex and volatile, and geopolitical conflicts was continue, casting a shadow over the economic recovery. The Federal Reserve Board started to cut interest rates during the year, but at a slower pace than expected. The year 2024 is also a critical year for China to fulfill the objectives of the 14th Five-Year Plan. However, China's macro-economy is facing a series of challenges in this year, including insufficient effective demand, weak consumption and declining investment.

The revenue of the paint and coating business of the Group recorded a decrease of 33.5% in 2024 to approximately HK$298.34 million, as compared to approximately HK$448.48 million in 2023. The gross profit generated from this business in 2024 was approximately HK$106.31 million, representing a decrease of 22.4%, as compared to approximately HK$136.93 million in 2023.

Revenue generated from the investment property business of the Group in 2024 increased by 4.2% to approximately HK$37.71 million, as compared to approximately HK$36.18 million in 2023. The net fair value losses of the investment property portfolio of the Group amounted to approximately HK$46.60 million in 2024 as compared to the same of approximately HK$30.56 million in 2023, primarily due to the continuous unfavourable property market conditions in Hong Kong and Mainland China.

Revenue generated from the hotel business of the Group in 2024 decreased by 10.5% to approximately HK$9.85 million, as compared to approximately HK$11.0 million in 2023. The hotel business of the Group in 2024 was benefited from the increase in the number and the consumption spending of visitors to Hong Kong. In order to provide better service quality, the air conditioners of the hotel were replaced in 2024 and therefore incurred capital expenditure of approximately HK$1.40 million.

The revenue of the Group for the year ended 31 December 2024 amounted to approximately HK$345.90 million, representing a decrease of 30.2%, as compared to approximately HK$495.65 million in 2023. Gross profit decreased by approximately HK$30.02 million to approximately HK$144.57 million, representing a decrease of 17.2%, as compared to the gross profit in 2023. Loss attributable to the shareholders of the Company for the year ended 31 December 2024 was increased to approximately HK$77.38 million, as compared to the loss attributable to the shareholders of the Company of approximately HK$68.58 million in 2023.

PROSPECTS

Looking ahead to 2025, there are both opportunities and challenges. While geopolitical and economic uncertainties continue to affect growth and consumer confidence in Hong Kong and Mainland China, the Chinese government's new stimulus measures provide hope for a gradual market recovery.

It is expected that the property market is still challenging in 2025. Hong Kong real estate demand will be steady, driven by interest rate cuts and supported by expected economic stimulus in Mainland China. However, escalating trade tensions will put pressure on leasing demand and leasing volumes.

Office and industrial property owners will face the challenge of oversupply, and rent levels will continue to be favorable to tenants. Companies are cautiously controlling costs, even if interest rates are on a downward trend, the rental market will continue to be under pressure in 2025 due to high vacancy rates and expected future supply competition.

It is expected that the increase in tourists will drive the hotel industry, but structural changes in consumption patterns will hinder significant growth in turnover, and demand may remain stable. The reintroduction of a 3% Hotel Accommodation Tax from 1 January 2025 has put additional pressure on room rates. However, this is expected to be offset by government efforts to promote city-wide events and conferences, favourable visa policies for visitors from Mainland China, and the resumption of full flight capacity.

In 2025, manufacturers in Mainland China, engaged in the production of goods for global markets, are navigating significant global transformations driven by geopolitical challenges. These issues have emerged as critical factors influencing strategic and operational decisions, presenting concrete obstacles that demand adaptive strategies for sustained growth and resilience. In response, the Chinese government is implementing various initiatives aimed at bolstering the domestic economy to counterbalance any potential decline in foreign demand. It is also reiterated that a steadfast commitment to promoting quality growth within the private sector. The year 2025 marks the preparatory phase for the "15th Five-Year Plan" with beneficial policies already in effect that seek to stimulate domestic demand, stabilise the real estate market, sustain the "national subsidy" for trade-in-transactions, and facilitate upgrades in older neighbourhoods. These initiatives present substantial opportunities for the growth of the paint and coating sector.

However, the Construction Industry Business Index Survey indicated that, in Hong Kong, the most pressing challenge anticipated in the upcoming year is an insufficient in project volume, closely followed by issues related to human resources, capital turnover, principal contract risks and regulatory matters. The survey highlighted a significant decline in contractors' confidence regarding both short- and medium-term prospects for the construction industry and the broader economy.

Despite these challenges, the CPM Group is adopting a prudent approach concerning its business outlook, concentrating on leveraging innovation and enhancing efficiency to acclimate to the evolving market landscape. By maintaining robust product quality and timely deliveries, the CPM Group has mitigated the decline in sales, preventing further decline, and has observed some improvement in profitability and operational efficiency.

While maintaining its existing core paint and coating business through the CPM Group, the directors of the Company constantly review the Group's business activities, including its investment property portfolio, and will act prudently in assessing opportunities on investment properties for the purpose of increasing the rental income and the cash flows for investment purposes and exploring other new business opportunities to drive the continuous business development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2024, the Group was engaged in three principal business segments, namely (a) investment property business; (b) hotel business; and (c) paint and coating business. The paint and coating business was conducted by CPM. Other than these three business segments, the Group also holds certain equity for investment purpose and owns a parcel of land in Yuen Long, Hong Kong for re-development.

BUSINESS REVIEW

During the year ended 31 December 2024, the Group recorded a loss attributable to the shareholders of the Company of approximately HK$77.38 million, as compared to the same of approximately HK$68.58 million for the year ended 31 December 2023. The loss incurred by the Group for the year ended 31 December 2024 was primarily due to the combined effect of: (a) the significant net fair value losses of approximately HK$46.60 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 31 December 2024, as compared with the same of approximately HK$30.56 million as at 31 December 2023; (b) the provision for impairment of property, plant and equipment of hotel business of approximately HK$15.45 million; and (c) the loss incurred by the CPM Group for the year ended 31 December 2024 of approximately HK$47.92 as compared with the same of approximately HK$67.12 million for the year ended 31 December 2023. Further information on the performance of the CPM Group is set forth in the results announcement of CPM for the year ended 31 December 2024 dated 27 March 2025.

Including the revenue generated by the CPM Group, the revenue of the Group during the year ended 31 December 2024 was approximately HK$345.90 million, represented a decrease of 30.2% from HK$495.65 million for the year ended 31 December 2023. The amount of gross profit of the Group for the year ended 31 December 2024 was approximately HK$144.57 million, represented a decrease of 17.2% from HK$174.58 million for the year ended 31 December 2023. The decrease in the gross profit of the Group was primarily due to the decrease in revenue of the CPM Group during the year ended 31 December 2024.

Furthermore, the Group achieved an adjusted profit of approximately HK$30.19 million for the year ended 31 December 2024, as compared to an adjusted profit of approximately HK$33.35 million for the year ended 31 December 2023. This adjusted profit excluded various gains and expenses such as depreciation of property, plant and equipment, provision for impairment of trade and bills receivables, depreciation of right-of-use assets, provision for impairment of property, plant and equipment of hotel business, provision for impairment of right-of-use assets, loss on revaluation of property, plant and equipment, loss on revaluation of right-of-use assets, share option expenses, net fair value losses on investment properties, finance costs and income tax.

The revenue of the paint and coating business of the CPM Group accounted for 86.3% of the Group's revenue for the year ended 31 December 2024, as compared to 90.5% of the same for the year ended 31 December 2023.

INVESTMENT PROPERTY BUSINESS

Investment Properties

The revenue generated from the investment property business for the year ended 31 December 2024 amounted to approximately HK$37.71 million as compared to approximately HK$36.18 million for the year ended 31 December 2023.

The revenue generated from the investment properties held by the Group (excluding the CPM Group) and the CPM Group for the year ended 31 December 2024 amounted to approximately HK$14.70 million (as compared to approximately HK$15.56 million for the year ended 31 December 2023) and approximately HK$23.01 million (as compared to approximately HK$20.62 million for the year ended 31 December 2023), respectively.

The investment property portfolio of the Group consists of 21 properties as at 31 December 2024 as compared to 20 properties as at 31 December 2023. The gross floor area of the investment property portfolio includes properties with gross floor area of 1,017,920 square feet ("sq. ft.") as at 31 December 2024, as compared to 1,014,178 sq. ft. as at 31 December 2023. The variation in the gross floor area was primarily due to the transfer of the commercial properties under property, plant and equipment to investment properties in the second half of 2024. These investment properties included residential, commercial and industrial properties in Hong Kong and Mainland China and are held for the purpose of generating stable rental 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$725.82 million as at 31 December 2024 as compared to approximately HK$772.93 million as at 31 December 2023, including the investment properties held by the CPM Group, representing a modest decrease of 6.1% as compared to the same as at 31 December 2023. The decrease in the market value of the investment properties was primarily due to the record of the net fair value losses on investment properties of the Group as at 31 December 2024.

The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 31 December 2024 amounted to approximately HK$430.54 million (as compared to approximately HK$463.84 million as at 31 December 2023) and approximately HK$295.28 million (as compared to approximately HK$309.09 million as at 31 December 2023), respectively.

The average occupancy rate for the investment properties in 2024 was 90.8%, as compared to 93.6% in 2023. The decrease in the occupancy rate was primarily due to the time for entering new tenancy agreements with new tenants caused the properties units in vacancy in several months. The recorded gross rental income (including inter-group rental income) amounted to approximately HK$40.25 million for the year ended 31 December 2024 as compared to approximately HK$39.40 million for the year ended 31 December 2023.

The segmental loss for the year ended 31 December 2024 amounted to approximately HK$14.90 million, as compared to segment profit of approximately HK$1.32 million for the year ended 31 December 2023. The turnround from the segmental profit to segmental loss was primarily due to the net fair value losses of approximately HK$46.60 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2024, as compared to the same of approximately HK$30.56 million as at 31 December 2023. The increase in the net fair value losses on investment properties of approximately HK$16.04 million during the year ended 31 December 2024 rendered turnround from segmental profit to segmental loss for the year ended 31 December 2024. The net fair value losses on investment properties for the year ended 31 December 2024 was generally consistent with the continuous unfavourable property market conditions in Hong Kong and Mainland China.

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

Property Under Development

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

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

Due to the heritage value of Pun Uk, any redevelopment on the Au Tau Land will have to include the preservation of Pun Uk, the promotion of the heritage value and the achievement of a commercial project that can generate reasonable economic return and prosperity.

In August 2022, the Rural and New Town Planning Committee of the TPB approved the application of the Group for the redevelopment of the Au Tau Land with permission on (a) the preservation of Pun Uk; (b) the construction of a place of recreation, sports or cultural centre; and (c) the construction of an elderly home that has around 530 beds and other related facilities (collectively, the "Re-development Project"). The permission is valid for four years until August 2026.

Pursuant to the Re-development Project, there will be three non-domestic buildings comprising the existing Pun Uk and two new buildings to be constructed as RCHE. The north building of the proposed RCHE will have six storeys, i.e. basement, 1/F to 6/F, whereas the south building will have five storeys, i.e. 1/F to 5/F. Essential functional areas/facilities, such as administrative office, dining area, staff room and other supporting facilities would be provided and developed at the detailed design stage. Car parking spaces will also be included in the re-development design.

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

HOTEL BUSINESS

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

During the year ended 31 December 2024, the average number of available room nights was 78 and the occupancy rate was approximately 91%. The gross revenue from the hotel business for the year ended 31 December 2024 amounted to approximately HK$9.85 million, as compared to approximately HK$11.00 million for the year ended 31 December 2023. Segmental loss for the year ended 31 December 2024 amounted to approximately HK$15.90 million, as compared to segmental profit approximately HK$0.33 million for the year ended 31 December 2023. The turnaround from segmental profit to segmental loss was mainly due to the record of provision for impairment on property, plant and equipment of the hotel business to approximately HK$15.45 million.

The J Link Hotel aims to attract short-haul travellers from Mainland China as well as overseas. In order to provide visitors with a more perfect experience when participating in Hong Kong events and seasonal celebrations, the Hong Kong Tourism Board will collaborate with organisers of different events in the city according to months, festivals or event types so as to increase publicity efforts, and introduce richer experiences to visitors upon their arrival. The directors of the Company believe that the room occupancy will be keeping at high level while the average room rates will continue to improve with the support of the promotional campaign by the Hong Kong government since the early of 2025.

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the results announcement of CPM for the year ended 31 December 2024 and the following information on the paint and coating business is extracted for ease of reference.

General Background

For the paint and coating business, the products of the CPM Group 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.

The following sets forth an analysis of the CPM Group's revenue from the sales of the paint and coating products for the year ended 31 December 2024 (with comparative figures for the year ended 31 December 2023):

	Year ended 31 December				
	2024		2023		% of net
	HK$'000	**%**	HK$'000	%	change
Industrial paint and coating products	**151,138**	**50.7**	172,863	38.6	(12.6)
Architectural paint and coating products	**69,933**	**23.4**	178,225	39.7	(60.8)
General paint and coating and ancillary products	**77,270**	**25.9**	97,387	21.7	(20.7)
	298,341	**100.0**	448,475	100.0	(33.5)

The CPM Group continues to focus on Mainland China market with contributed to approximately 80.8% (2023: approximately 86.8%) of the total revenue generated from the sales of the paint and coating products in 2024.

Segmental Results

Revenue from paint and coating products

The CPM Group's revenue from sales of paint and coating products for the year ended 31 December 2024 amounted to approximately HK$298.34 million, representing a significant decrease of 33.5% as compared to approximately HK$448.48 million for the year ended 31 December 2023.

Significant decrease in the sales to the property developers and their contractors working for private residential property projects in Mainland China

For the year ended 31 December 2024, the CPM Group's sales to property developers and their contractors working for private residential property projects in Mainland China amounted to HK$17.96 million, representing a decrease of 78.3%, as compared to HK$82.69 million recorded during the last year in 2023. According to the data of the National Bureau of Statistics of China (the "NBSC"), there was a substantial decline in residential property activities in the 2024: accumulated construction areas decreased by 12.5%, newly started construction areas fell by 22.5%, and completed construction areas dropped by 26.1% in comparison to the 2023.

During the year ended 31 December 2024, the CPM Group experienced a notable downturn in sales of paint and coating products, primarily due to unfavourable conditions in private residential property sector in Mainland China. This sector was significantly affected by a pronounced decline in property prices compared to 2023. Price trends across major cities were varied, but many areas continued to suffer from a decline in property prices, which meant that the property market was persistently unstable.

In response, the Chinese government acted decisively and took measures to mitigate these challenges and revitalise property sector. They reduced interest rates for existing housing loans to ease financial burdens on property owners and home purchasing costs to boost demand. Additionally, local governments were authorised to use special bonds for acquiring unsold housing and dormant land. These strategies aimed to ease market strains and foster a more robust property market, indirectly benefiting the paint and coating industry by creating a more favourable economic environment. Following the measures taken by the Chinese government to steer the real estate market towards stability, the CPM Group's sales in this customer segment became stable, maintaining consistent levels in the first half and the second half of 2024.

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

For the year ended 31 December 2024, the CPM Group's sales to wholesale and retail distributors in Mainland China significantly decreased by 29.4% to approximately HK$109.28 million, as compared to HK$154.74 million for the year ended 31 December 2023. This significant decline was primarily driven by intense competition within the paint and coating industry in Mainland China.

In recent years, many paint and coating manufacturers had expanded their production capacities, resulting in increased market supply. Concurrently, the Chinese government implemented policies to curb leverage among property developers so as to mitigate financial risks and stabilise the housing market. These measures led to a sluggish real estate market, causing the property developers to slow their land acquisitions for new projects, resulting in the reduction in demand of architectural paint and coating products, of which accounted for approximately 60.0% of the industry's sales in Mainland China. Despite this decrease in demand, production capacities continued to rise, creating market oversupply. In response to the competitive pressures, some manufacturers have resorted to aggressive discounting strategies to boost sales and maintain utilisation rates of both new and existing production capacities. Additionally, many manufacturers significantly increased their promotional and advertising expenditures during the first half of 2024 to capture market share. These strategies resulted in sacrificing net profit margins in order to attract more sales.

Significant decrease in the sales to the industrial manufacturers in Mainland China

For the year ended 31 December 2024, the CPM Group experienced a significant decline in sales to industrial manufacturers in Mainland China, which decreased by 18.4% to approximately HK$87.13 million, from HK$106.71 million for the year ended 31 December 2023. This downturn was attributed primarily to a reduction in consumer spending and the purchasing managers' index ("PMI") below 50, indicating waning economic activity due to diminished end-user demand. Furthermore, intensified competition within the paint and coating sector, arising from manufacturers traditionally focused on architectural products, further impacted sales.

The Chinese government has been rolling out measures to stabilise the real estate market aimed at curbing excessive leverage and mitigating financial risks. Since 2020, the Chinese government had implemented policies designed to monitor and regulate loans, with a focus on reducing the elevated debt ratios of real estate enterprises. Whilst borrowing restrictions on property developers had been somewhat relaxed, overarching macroeconomic pressures and a stagnating real estate market resulted in paint and coating manufacturers diversifying their business portfolios. Consequently, these entities ventured into industrial paint and coating segments, thereby broadening their operational scope.

Furthermore, the competitive landscape intensified further with the introduction of new machinery and equipment designed to enhance productivity. This development led to increased production efficiency and production volumes, thereby intensifying competition amongst businesses in subcontracting processes, metal products, industrial machinery, and plastic toys sectors. According to data released by the NBSC, industrial capacity utilisation in the manufacturing sector stood at 75.2% in 2024, slightly reduced by 0.1%. This represents an improvement compared to 2023, where the industrial capacity utilisation was 75.3%, with a decline of 0.5%.

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2024, the CPM Group's revenue generated from the sales in Mainland China and Hong Kong accounted for 80.8% and 19.2%, respectively, as compared to 86.8% and 13.2%, respectively for the year ended 31 December 2023. Most of the CPM Group's revenue was generated from the sales to customers in the Southern China, the Central China and the Eastern China. Revenue generated from the sales to the customers in these regions, in aggregate, accounted for 76.1% of the CPM Group's total amount of revenue for the year ended 31 December 2024, as compared to 81.4% for the year ended 31 December 2023.

Significant decrease in the sales to the property developers and their contractors working for private residential property projects in the Southern China, the Central China and the Eastern China

For the year ended 31 December 2024, the CPM Group experienced a substantial decline in revenue from the sales to property developers and their contractors working for private residential projects in the Southern China, the Central China and the Eastern China. This downturn was primarily attributable to a weakening real estate market in Mainland China. Specifically, the revenue from the Southern China, the Central China and the Eastern China decreased by 58.2% to HK$29.17 million, 63.5% to HK$9.23 million and 83.5% to HK$3.73 million, respectively, compared to HK$69.88 million, HK$25.27 million and HK$22.57 million, respectively, for the year ended 31 December 2023. These declines cumulatively represented approximately 90.8% of the total reduction in sales to construction and renovation contractors for property infrastructure projects within Mainland China.

The contraction in sales reflected a broader trend in the regional real estate sector, significantly affected by decreased construction activities. According to the data of the NBSC, the newly started construction area for real estate projects in the Southern China, the Central China, and the Eastern China in 2024 dropped precipitously by 2.0%, 2.4%, and 11.4%, respectively, compared to the last year.

Significant decrease in the sales of paint and coating products to distributors in the Southern China

For the year ended 31 December 2024, the CPM Group faced a significant downturn in sales of paint and coating products to distributors in the Southern China, recording a sharp decline of 40.3%, or HK$44.80 million. This downturn followed a previous decline of 16.6% in 2023, equating to HK$22.13 million, highlighting a continuing negative trend. The situation was further compounded by economic signals from Mainland China. In 2024, the PMI construction sub-index showed a declining trend and recorded a score below 50 on one occasion. This contraction indicated substantial economic challenges in the paint and coating industry, pointing to decreased construction activity, overstocked inventories and adverse market conditions.

As mentioned, in 2024, the real estate sector exhibited a contraction, showing a decline in growth, in contrast to the moderate expansion experienced by the building and construction sector. These changes have significantly affected the CPM Group's revenue from sales to distributors in Mainland China, resulting in a notable decrease for the year ended 31 December 2024.

Despite these challenges, it is noteworthy that the CPM Group has achieved a 10.0% increase in sales of paint and coating products to Distributors in the Eastern China for the year ended 31 December 2024. The CPM Group remains committed to exploring expansion opportunities in other regions where demand may exist, leveraging adaptability to sustain growth and maximise revenue potential.

Significant decrease in the sales to industrial manufacturers in the Southern China

For the year ended 31 December 2024, the CPM Group recorded a notable reduction in revenue from the sales of paint and coating products to industrial manufacturers in the Southern China, resulting a decline of HK$18.90 million, or 26.5%. This represents an improvement compared to the last year's decrease of 35.9%. The manufacturing sector within Mainland China navigated a challenging economic landscape throughout the year. The PMI highlighted persistent fluctuations and contraction, underscoring a market atmosphere characterised by reduced demand. Such uncertainties compelled manufacturers to scale back on orders, resonating throughout the industry. The PMI inventories sub-index further indicated consistent contraction, reflective of a cautious stance amongst both manufacturers and consumers. This climate of uncertainty extended to various sectors, including the paint industry, necessitating careful strategic planning and adaptation to market conditions.

As a result, the CPM Group experienced a significant decline in sales of paint and coating products to industrial manufacturers in Mainland China, decreasing by approximately 18.4%, from HK$106.71 million in 2023 to HK$87.13 million in 2024. This combination of factors collectively influenced the CPM Group's total revenue from sales to industrial manufacturers in Mainland China, leading to a reduction of HK$19.58 million or 18.4%, for the year ended 31 December 2024.

Despite these challenges, the CPM Group recorded a 5.5% increase in sales of paint and coating products to industrial manufacturers in the Central China for 2024. This growth underscored the importance of regional diversification. The CPM Group planned to explore new opportunities in other regions to sustain growth and maximise revenue. This strategic focus mitigated risks and captured emerging opportunities in diverse markets.

Significant decrease in the sales of paint and coating products to renovation contractors in Hong Kong

For the year ended 31 December 2024, the CPM Group observed a significant reduction in sales of paint and coating products to renovation contractors in Hong Kong, amounting to a 13.4% decrease. This decline contrasted with the increase of 5.0% last year. Amidst this downturn, public information revealed a 22.3% increase in registered residential property transactions as compared to last year, which was viewed positively. However, the unemployment rates within specific sectors presented challenges. Unemployment in the building decoration, repair, and maintenance sectors dropped slightly to 5.8% in 2024 from 6.0% in 2023. These figures were higher than the overall unemployment rates, which stood at the range 2.9% in 2023 and 3.0% in December 2024, highlighting distinctive sector dynamics amidst broader economic conditions.

Moreover, the broader economic climate presented challenges for the renovation sector overall. GDP growth had softened from 3.2% in 2023 to a projected 2.5% in 2024. Additionally, the fiscal reports indicated that the Hong Kong government faced a deficit for the 2023/2024 fiscal year, a trend that was expected to persist into 2024/2025. These economic changes likely encouraged households to practice more cautious spending, particularly regarding property decoration and renovation. Factors contributing to this shift might have included changing consumer preferences, where some residential property buyers chose to delay renovations on both new and existing homes.

Cost of raw materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. Fluctuations in crude oil prices directly and indirectly impact the prices of these raw materials, thereby significantly affecting the profitability of paint and coating manufacturers, as raw material costs comprise a substantial portion of the total production cost. With crude oil prices stabilising around US$75 per barrel in 2023 and 2024 after significant fluctuations in previous years, the industry achieved better profitability by leveraging consistent cost expectations. During these price changes, paint and coatings manufacturers experienced an increase in their gross profit margins due to the reduction in raw material costs. Despite occasional increases in the PMI throughout 2024, the broader economic conditions were characterised by a contraction, adversely impacting the industrial sector. This economic challenge was evident in the consistently low producer price index ("PPI") throughout the year. The PMI highlighted this ongoing contraction, reflecting a continued decline in industrial activity. A key factor contributing to the low PPI was the ongoing reduction in raw material prices in Mainland China, driven by decreasing consumer demand.

In light of the decline in raw material prices within the Mainland China market and the shift in end users' preferences affecting the product mix, the CPM Group implemented strategic initiatives to optimise raw material costs and diversify sourcing options. This approach resulted in a marked reduction in the raw material component of the cost of sales, decreasing to 82.5% in 2024 from 86.3% in 2023. This development reflected a deliberate effort to enhance efficiencies through strategic alliances, as described in the 2022 Annual Report. Moreover, the CPM Group achieved a noteworthy reduction of 41.1% in overall raw material costs within the cost of sales, surpassing the 33.5% decline in sales. This underscored significant advances in cost management practices and highlighted the strategic alignment of its partnerships.

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

As previously noted, the paint and coating industry experienced benefits from favourable trends in the PMI and PPI. Although there were occasional increases in the PMI during 2024, the overall economic conditions remained contractionary, adversely impacting the industrial sector. This was reflected in a low PPI, primarily due to reduced raw material prices in Mainland China, driven by diminished consumer demand. Consequently, the sales of paint and coating products significantly decreased by 33.5%, as compared to the year ended 31 December 2023. Despite this downturn, the CPM Group achieved a commendable increase in the gross profit margin, rising by 5.1 percentage points to 35.6%, up from 30.5% in 2023. This improvement resulted from strategic factors, including effective business revamp measures and initiatives such as the integration of production facilities in the Southern China. The strategic timing of the integration in 2023 proved advantageous; had it been postponed until this year, adjusting fixed costs to align with the reduced sales volume could have been considerably problematic.

The necessity to highlight was evident as the 22.4% decline in gross profit did not align proportionally with the 33.5% reduction in sales of paint and coating products, as compared to the last year. The CPM Group's gross profit from these sales decreased significantly by HK$30.62 million, as compared to 2023. The marked 33.5% sales decrease was projected to have led to an approximate gross profit decline of HK$45.84 million. Yet, an increase in the gross profit margin, amounting to approximately HK$15.22 million, effectively offset the decline. Consequently, the loss as recorded in the paint segment for the year ended 31 December 2024 reduced by 17.8%, amounting to HK$47.79 million, as compared to HK$58.15 million for the last year ended 31 December 2023. This relative improvement in financial performance was attributed to strategic initiatives that enhanced operational efficiency and cost management.

Other Income and Gains, Net

The net amount of other income and gains for the year ended 31 December 2024 showed a significant decrease of 29.8% to HK$5.40 million, as compared to HK$7.69 million for the year ended 31 December 2023. This decrease was primarily attributable to: (i) the absence of government subsidies amounting to HK$2.40 million for the removal of solvent production lines and solvent storage tanks in the production plant located in Hubei, Mainland China which received in 2023; (ii) a reduction in government grants amounting to HK$0.40 million; and (iii) a reduction in gain on net disposal of fixed assets of HK$0.47 million. These reductions were partially offset by an increase in net foreign exchange differences amounting to HK$0.63 million and an increase of HK$0.65 million in other income and gains, which included compensation receipts related to aged trade and bills receivables, as well as receipts from scrap sales.

Selling and Distribution Expenses and Administrative Expenses

For the year ended 31 December 2024, the CPM Group's selling and distribution expenses significantly declined by 18.3%, amounting to HK$50.89 million, in contrast to HK$62.29 million for the year ended 31 December 2023. This reduction however, did not correspond with the 33.5% decrease in sales of paint and coating products, it primarily stemmed from a notable increase in legal and professional fees, amounting to HK$5.88 million, related to legal actions for the recovery of the CPM Group's aged trade and bills receivables. The disparity suggested challenges in adjusting operating costs in line with declining revenues, highlighting areas for improving cost management. These challenges had partly been due to fixed expenses that could not be easily scaled down with falling revenues. Additionally, unexpected legal costs had temporarily inflated overall expenses. The focus on legal actions, though costing more initially, aimed to secure future cash flows. Once resolved, the emphasis likely had shifted to better synchronising expenses with sales, aiming for enhanced cost efficiency in subsequent periods.

Following the strategic integration of the underutilised production facilities in Mainland China in 2023, administrative expenses for the year ended 31 December 2024 were substantially reduced by 12.0% to approximately HK$73.88 million, as compared to approximately HK$83.91 million for the year ended 31 December 2023. Cost savings were realised from salaries and staff welfares, which amounted to HK$4.07 million, depreciation of HK$1.33 million, and share options of HK$1.26 million. Additionally, reductions were achieved in consumables and other expenses amounting to HK$3.37 million, as compared to 2023. This strategic integration enabled a sustainable reduction in operational costs, enhancing financial stability and resilience.

Other Expenses, Net

For the year ended 31 December 2024, the amount of other expenses was decreased by 38.6% to approximately HK$34.73 million, as compared to approximately HK$56.57 million in 2023, primarily due to a combination of economic factors. This reduction was mainly attributable to: (i) a significant decrease in the provision for impairment of aged trade and bills receivables amounting to HK$25.94 million, which was driven by the collection of certain outstanding receivables during the year; and (ii) a notable decrease in other taxes, correlating with the 33.5% decline in sales of paint and coating products. Nonetheless, these favourable impacts were partially offset by an increase in the provision for impairment of right-of-use assets, which resulted from under-utilisation aligned with the 33.5% decline in sales of paint and coating products, subsequent to an annual review assessment. This economic adjustment reflected strategic financial management and adaptive measures required by accounting standards in response to market fluctuations and operational demands.

The CPM Group made a provision for the impairment of trade and bills receivables in accordance with HKFRS 9, considering both historical credit loss experience and forward-looking information. In evaluating the provision for the impairment of aged trade and bills receivables in connection with property developers and contractors as of 31 December 2024, the CPM Group engaged a professional valuer to perform the assessment. It was the considered view of the CPM Group that an additional impairment provision, amounting to approximately HK$19.22 million was provided for these receivables, which represented approximately 79.5% of the total provision for the impairment of aged trade and bills receivables, totalling HK$24.19 million for the year ended 31 December 2024. Despite this, the CPM Group encountered challenges due to economic uncertainty stemming from heightened financial stress among property developers in Mainland China. Despite a 17.1% decrease in the gross amount of trade and bills receivable as at 31 December 2024, an additional provision for the impairment of trade and bills receivables of HK$24.19 million was deemed necessary, resulting in a 14.9% increase in the gross provision for the impairment of trade and bills receivables to HK$139.68 million as at 31 December 2024. This underscored the marked influence of macroeconomic factors and regulatory compliance on financial assessments, thus necessitating prudent financial strategies in volatile markets.

Business Initiatives

Amidst strategic adjustment and implementation of ongoing business revamp measures and initiatives aimed at addressing market challenges, the CPM Group successfully enhanced its financial performance by increasing its gross profit margin by 5.1 percentage points to 35.6%, up from 30.5% in 2023. Notwithstanding these gains, the CPM Group reported a segment loss of HK$47.79 million for the year ended 31 December 2024, marking a notable reduction of 17.8% compared to the last year's segment loss of HK$58.15 million. This reduction in losses was primarily attributable to lower provision for the impairment of aged trade and bills receivables, alongside improved profit margins and cost efficiencies across major operations. Conversely, profitability was impeded by a 33.5% decrease in the sales of paint and coating products. The segment loss for 2024 was mainly influenced by a substantial provision for impairment of aged trade and bills receivables, which totalled approximately HK$24.19 million. Furthermore, the CPM Group incurred legal and professional expenses of HK$7.03 million and the provision for impairment of right-of-use assets totalling HK$2.84 million. The decline in sales of paint and coating products adversely impacted the financial performance of the CPM Group.

In response to the substantial 33.5% decline in sales recorded in 2024, the CPM Group strategically prioritises the stabilisation the volume and value of sales within its paint and coating product lines in 2025. This stabilisation holds paramount importance prior to embarking upon growth enhancements. Concurrently, the CPM Group is working to optimise its financing arrangements by reducing borrowing costs and improving the efficiency of recovery from trade and bills receivables. Since 2023, the CPM Group has been implementing a series of business initiatives to achieve these objectives. These initiatives include (i) exploring diversified financing facilities to ensure sustainable liquidity; (ii) negotiating terms to minimise interest burdens; and (iii) deploying refined credit management strategies to expedite the turnover of trade and bills receivables. Each initiative is designed to fortify financial resilience and position the CPM Group for enduring success amidst evolving market conditions. To achieve these objectives, the following business initiatives are currently being implemented:

1. **Leveraging Strategic Partnerships for Product Expansion and Market Reach**

    Given the challenging economic landscape, the CPM Group encountered notable hurdles when leveraging strategic partnerships for product expansion in 2024. The collaborative efforts initiated in 2022 aimed at diversifying the product portfolio through innovative formulas and patent-sharing successfully expanded market reach in 2023. However, the prevailing economic conditions significantly hampered these initiatives in 2024.

    Despite the introduction of modified products and offering flexible pricing to accommodate diverse customer needs, a pronounced contraction in the industrial sector led to a 38.1% decline in the CPM Group's sales of paint and coating products in Mainland China. The downturn was driven by a persistently low PPI and a sustained decline in raw material prices, exacerbated by current consumer demand trends. Furthermore, with a considerable portion of household wealth tied to depreciating real estate values, consumer spending remained subdued.

    In response, the CPM Group implemented strategic adjustments, enhancing purchase incentives and recalibrating pricing strategies. These measures, however, had limited success in reversing the sales decline. Overall, while the foundational strategy aimed to enhance customer retention and satisfaction, the adverse economic environment necessitated a re-evaluation of tactics to sustain growth and counteract declining sales performance.

2. Strategic Financial Restructuring and Optimisation

Strategic Borrowing Arrangements and Enhanced Liquidity: Impact on Net Current Assets

In 2023, the CPM Group entered into 3-year loan agreements with its holding company and its fellow subsidiaries, which constituted exempted connected transactions and were on normal commercial terms. As at 31 December 2024, the outstanding balance was HK$107.90 million, denominated in both Hong Kong dollars and Renminbi. The purpose of these borrowing arrangements was to optimise the CPM Group's liquidity and expedite the process of swapping by securing low-cost borrowings in Mainland China and replacing high-cost borrowings in Hong Kong. As a direct consequence of these strategic financial undertakings, the total interest-bearing bank and other borrowings experienced a reduction of 9.6%, declining to HK$195.97 million as at 31 December 2024, as compared to HK$216.75 million as at 31 December 2023. Concurrently, the liquidity ratio of the CPM Group experienced an increase of 3.8%, aligning to 1.35 as at 31 December 2024 from 1.30 as at 31 December 2023. This repositioning underscored the CPM Group's deliberate efforts to augment financial efficiency whilst preserving robust debt management and operational liquidity.

Restructuring of Financing Arrangements for Enhanced Cost Efficiency

In 2024, there was a notable increase in bank borrowings from Mainland China, coupled with a significant reduction in bank borrowings from Hong Kong. As at 31 December 2024, the proportion of interest-bearing bank borrowings denominated in Renminbi rose to 76.2%, up from 41.4% as at 31 December 2023. The average interest-bearing bank borrowing rate for the year ended 31 December 2024 significantly decreased by 11.1% to 4.8%, in contrast to 5.4% for the year ended 31 December 2023. This restructuring initiative remains an ongoing component of the Group's strategy, with plans to continue efforts throughout 2025. It is important to consider that during certain transitional phases in 2025, the Group may experience temporary increases in its gearing ratio. However, this strategy is intended to enable a further reduction in finance costs over time. Consequently, the restructuring of financing arrangements is anticipated to further reduce the overall cost of bank borrowings.

Strategic Utilisation of Renminbi Borrowing Funds for Internal Currency Risk Management

With the expansion of its banking facilities and the borrowing of funds from Mainland China, the strategic utilisation of Renminbi borrowing funds as an internal natural hedge demonstrates the CPM Group's prudent approach to managing currency risk. This internalisation of the hedging process reflects the CPM Group's forward-thinking financial strategy. The CPM Group is not only minimising the impact of currency fluctuations, but it is also optimising its resource allocation. From a financial standpoint, this approach highlights the shrewd use of internal mechanisms in risk management, emphasising the CPM Group's dedication to efficient capital deployment. Moreover, it showcases a proactive approach to mitigating currency exposure without incurring the costs associated with external hedging instruments. This action contributes to optimising the CPM Group's financial position, aligning with the overarching goal of enhancing stakeholder value and financial resilience.

3. Proactive Credit Management and Provision for Impairment of Trade and Bills Receivables

In 2023, amidst economic uncertainties arising from heightened financial stress among property developers in Mainland China, the CPM Group judiciously tackled these challenges through adept credit management. This included revising credit terms to mitigate the effects of extended payment deferrals on cash flow. By shortening credit periods and engaging in comprehensive discussions, the CPM Group aimed to uphold financial stability and ensure timely receivables, thereby safeguarding liquidity. As at 31 December 2024, the gross trade and bills receivables connected to property developers and contractors recorded a decrease of 15.8% compared to 2023. This reduction was primarily attributed to settlements rather than write-offs.

Furthermore, the decision to implement a straight credit period and prepare for the potential legal proceedings demonstrates the CPM Group's commitment to proactive risk mitigation in response to the market dynamics. This strategic approach allows the CPM Group to navigate economic uncertainties while upholding a disciplined credit management framework. By aligning credit terms with the prevailing market conditions and preparing for the potential legal matters, the CPM Group strengthens resilience and ensures operational continuity, positioning itself to manage fluctuations in customer payment patterns and market uncertainties effectively. As at 31 December 2024, there was a notable reduction in the total gross trade and bills receivables compared to 2023, achieved entirely through settlements being made by payment.

Additionally, the determination of the amount of impairment provision for trade and bill receivables to be consistent with the prudent risk management practices and accounting standards confirming the CPM Group's commitment to effectively manage credit risks and ensure financial stability. This proactive measure further enhances the CPM Group's ability to navigate challenges arising from deferred payments and economic uncertainties, reflecting a comprehensive approach to credit risk management. The CPM Group's readiness for potential litigation or arbitration also highlights its comprehensive approach to managing credit risks and ensuring a stable financial position amidst economic uncertainties, reflecting a comprehensive approach to credit risk management. By adhering to consistent prudent standards for impairment provision for trade and bill receivables, the CPM Group reinforced the transparency and prudence of its financial reporting, instilling confidence in its ability to mitigate credit risks and maintain sustainable operations.

OTHER BUSINESS

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 of Hong Kong Limited (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.

As disclosed in the interim report of Chuang's China for the six months ended 30 September 2024, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu agreed by the local government authorities. Development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. Based on the revised master layout plan of Phase II to Phase V, about 36,726 grave plots will be constructed covering land area of 268 mu and 150 mu of road access and greenbelts.

For Phase II and Phase III, land use rights of approximately 143 mu had been obtained, which will accommodate a total of about 22,212 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu had been obtained and additional land quota of about 119.8 mu shall be required for the construction of a total of about 14,514 grave plots. As for the 150 mu of road access and greenbelts, the Cemetery will ascertain the arrangement required by the local authorities. The construction works of roads for Phase II and Phase III are being carried out. Site formation and construction works are in progress on parts of the land.

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

The Group has engaged an independent professional appraisal firm to perform a valuation on the fair market value of the Profitable Industries as at 31 December 2024 based on "Adjusted Net Asset Value" method which has considered, inter alia, property valuation of the Cemetery and a discount for the Group's minority holding in Profitable Industries. The fair market value of this equity investment as at 31 December 2024 was approximately HK$24.76 million when compared with approximately HK$28.13 million as at 31 December 2023.

OUTLOOK

Looking ahead, the global environment remains complicated and uncertain. Geopolitical tensions and the potential escalation of trade conflicts may be seriously disrupt global trade and investment flows.

The pressure on the Renminbi and the uncertainty over the prospect of interest rate cuts by the Federal Reserve Board pose challenges to Hong Kong's economic growth. The World Trade Organisation warned that a trade war could have a significant negative impact on global economic growth. China's economy is still on the track of recovery from the epidemic, but the pace of recovery varies across different industries and regions. Office rents and occupancy rates are expected to remain under pressure due to global economic uncertainty and the escalation of the trade war.

The Chinese government has launched a huge stimulus package to restore market confidence while the Hong Kong government has stepped up efforts to attract high-spending visitors and high value-added overnight visitors to Hong Kong. Other supportive policies are likely to follow.

The policy initiatives such as the expansion of the Individual Visit Scheme, the reinstatement of multiple-entry permits for Shenzhen residents, and a number of global programs to attract inbound students and talent are aimed at revitalising Hong Kong's economy and long-term competitiveness. These measures are expected to boost tourist arrivals, population growth and capital inflows, thereby boosting demand and benefiting Hong Kong's retail market.

The directors of the Company note that the real estate rental market will continue to be less optimistic in 2025. A series of policies introduced in 2024 will help stimulate domestic demand and will help stabilise the real estate market in Mainland China in 2025.

Hong Kong's commercial real estate market faces a significant challenge in 2025, with demand in the office and industrial leasing sectors declining due to the sluggish business environment. The uncertainty of the new U.S. administration continues to overshadow the economic recovery, although the interest rate cut cycle that began in September 2024 has slightly boosted investment sentiment, driven by receivership sales and end-user demand.

In view of high vacancy rates of office in recent years and the relatively ample supply in the next few years, the Hong Kong government will not roll out any commercial site for sale in the coming year to allow the market to absorb the existing supply. Looking ahead, the property market is still weak and facing challenge.

Investors and tenants remain prudent, leading to continued growth in various industries with limited demand. Hence, most companies regard cost optimisation as the top priority for enterprise development. Companies abandon office expansion plans or start saving costs. Reducing the area of office buildings, relocating to sub-core areas and renegotiating overall lease contracts with owners have become the most important strategic implementation plans. The work-from-home trend continues, the demand for office space in Hong Kong would be likely to decrease, and would affect the rental rates. Small and medium-sized businesses and co-working spaces, however, continue to use physical setups.

The tenant-driven market is expected to persist through 2025 against a backdrop of surging supply. The office leasing market is expected to be dominated by lease renewals as companies remain cautious about expanding office space.

Both property leasing markets in Mainland China and Hong Kong is challenging, the Group's rental portfolio may face downward adjustment pressure upon renewal of respective tenancy agreements. Nevertheless, the Group will closely monitor the market situation and proactively respond to the market changes.

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

Upon the multiple-entry Individual Visit Scheme for Shenzhen residents has been resumed starting from 1 December 2024, it is believed that more Mainland residents will visit Hong Kong and our hotel business will be benefited. The occupancy rates of the hotel portfolio may benefit from the ongoing rebound in domestic and international travel, however, room rates are likely to face pressure as travellers become more budget-conscious.

In 2025, the paint and coating industry in Mainland China is expected to maintain growth, driven by various sectors such as high technologies, industrial manufacturing, construction and others, amidst the China's overall economic stability. Conversely, the prospects in Hong Kong appear more challenging. The market faces constraints due to a lack of sufficient project volume and possible cash flow strains among property developers and contractors. These issues are likely to adversely affect the construction industry, potentially leading to a decrease or, at best, uncertain growth in Hong Kong's paint and coating market.

Furthermore, the industry is expected to shift towards more sustainable and environmentally-friendly products, driven by the increased awareness of environmental issues and a growing demand for eco-friendly products. In Mainland China, the industry is likely to continue benefiting from the government's emphasis on urbanisation, particularly with ongoing projects focused on upgrading older neighbourhoods. In Hong Kong, the government's focus on sustainability and green initiatives presents opportunities for paint and coating manufacturers to offer environmentally-friendly products, in alignment with the government's plan to cultivate a green economy and invest in sustainable infrastructure.

Overall, the paint and coating industry within Mainland China seems poised for substantial growth prospects. Conversely, Hong Kong may encounter certain challenges that could constrain its growth potential. It is crucial for the industry to navigate these varied market conditions by giving precedence to innovation and sustainability. Such a strategy not only aligns with the Group's environmental commitments but also strategically positions it to capitalise on emerging market opportunities.

FINANCIAL REVIEW

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

RESULTS

The Group recorded a loss attributable to the shareholders of the Company of approximately HK$77.38 million for the year, as compared to a loss attributable to the shareholders of approximately HK$68.58 million in 2023. Revenue for the year amounted to approximately HK$345.90 million, representing a decrease of 30.2%, as compared to approximately HK$495.65 million in 2023. Gross profit for the year amounted to approximately HK$144.57 million, representing a decrease of 17.2%, as compared to the same in 2023. The gross profit margin increased by 6.6 percentage points from 35.2% in 2023 to 41.8% in 2024.

SEGMENT INFORMATION

Business Segments

Property Investment

For the year ended 31 December 2024, revenue of the property investment business amounted to approximately HK$37.71 million, representing 10.9% of the Group's total revenue. Segmental loss for the year amounted to approximately HK$14.90 million, as compared to the segmental profit of approximately HK$1.32 million for the year ended 31 December 2023. The turnaround from segmental profit to segmental loss was primarily due to the net fair value losses of approximately HK$46.60 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2024, as compared to the same of approximately HK$30.56 million as at 31 December 2023.

Hotel Business

For the year ended 31 December 2024, revenue of the hotel business amounted to approximately HK$9.85 million, representing 2.8% of the Group's total revenue. It had recorded a segmental loss for the year ended 31 December 2024 amounted to approximately HK$15.90 million, as compared to the segmental profit approximately HK$0.33 million for the year ended 31 December 2023 was mainly due to the provision for impairment of property, plant and equipment of hotel business.

Paint and Coating Products

Paint operation continued to be the largest contributor to revenue, generating approximately HK$298.34 million, which accounted for 86.3% of the Group's total revenue. However, the paint and coating industry reported a decrease in overall total profit for the year 2024, driven by continued intense competition, a noticeable contraction due to subdued domestic demand, decreased consumer spending, and a slowdown in construction activity in across multiple sectors, leading to a 33.5% decrease in segment revenue when compared to 2023. Despite these challenges, the paint and coating sector gained from declining production costs. Crude oil prices steady at about US$75 per barrel in 2023 and 2024 following significant past volatility, the industry utilised stable cost forecasts to boost profitability. This stabilisation reduced raw material costs for paint and coating products amid changing price dynamics. In response to fierce competition and fluctuating demand, the CPM Group implemented business revamp measures and initiatives, leading to an increase in its gross profit margin by 5.1 percentage points, raising to 35.6% from 30.5% in 2023. Despite improved operational efficiency, the CPM Group recorded a segment loss of approximately HK$47.79 million for the year ended 31 December 2024, representing a 17.8% reduction, compared to the segment loss of HK$58.15 million for the year ended 31 December 2023. This segment loss was chiefly attributed to a substantial 33.5% decrease in sales of paint and coating products, coupled with a provision of approximately HK$24.19 million for impairment of trade and bills receivables. This was in line with HKFRS 9 standards, taking into account historical credit loss experience, forward-looking information, and the probability of default considering current market conditions in the property development and construction sectors.

Geographical Segments

The Group's businesses are operated in Mainland China and Hong Kong only. Revenue from operations in the Mainland China and Hong Kong for the year ended 31 December 2024 amounted to approximately HK$271.12 million (2023: approximately HK$417.67 million) and approximately HK$74.78 million (2023: approximately HK$77.99 million), respectively.

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$286.74 million as at 31 December 2024 as compared to approximately HK$260.39 million as at 31 December 2023. The decrease in the balance of cash and cash equivalents was primarily due to the repayment of bank borrowings and the change in working capital. The total cash and bank balances, including pledge deposits, amounted to approximately HK$308.95 million as at 31 December 2024 as compared to approximately HK$359.39 million as at 31 December 2023.

Bank borrowings amounted to approximately HK$137.62 million as at 31 December 2024 as compared to approximately HK$171.45 million as at 31 December 2023. The bank borrowings of the Group mainly bear interest at floating rates. The total bank borrowings of the Group as at 31 December 2024 amounted to approximately HK$137.62 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 31 December 2024. 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 11.3% as at 31 December 2024 as compared to 13.0% as at 31 December 2023. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.46 times as at 31 December 2024 as compared to 1.38 times as at 31 December 2023.

For the year under review, the inventory turnover days[1] in 2024 were 34 days (2023: 31 days). The trade and bills receivables turnover days[2] decreased from 128 days in 2023 to 112 days in 2024.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2024 was approximately HK$1,219.56 million (31 December 2023: approximately HK$1,323.30 million). Net assets value per share as at 31 December 2024 was HK$0.70 (31 December 2023: HK$0.76). Shareholders' funds per share as at 31 December 2024 was HK$0.64 (31 December 2023: HK$0.70).

Contingent Liabilities

As at 31 December 2024 and 31 December 2023, no bank facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised.

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of approximately HK$525.64 million as at 31 December 2024, as compared to approximately HK$553.11 million as at 31 December 2023, were pledged as collaterals for bank borrowings, lease liabilities, bills payable and performance bonds.

As at 31 December 2024, the total outstanding secured bank borrowings amounted to approximately HK$116.62 million as compared to approximately HK$131.01 million as at 31 December 2023, lease liabilities amounted to approximately HK$0.02 million as at 31 December 2024 as compared to approximately HK$0.06 million as at 31 December 2023, and bills payable amounted to approximately HK$69.48 million as at 31 December 2024 as compared to approximately HK$115.69 million as at 31 December 2023.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 366 days (31 December 2023: 365 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 366 days (31 December 2023: 365 days).

TREASURY MANAGEMENT

Funding and Treasury Policy

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

Foreign Currency Exposure

The Group's cash, bank balances and bank borrowings were mainly denominated in Hong Kong dollar, Renminbi and United States dollar. The Group's results can be affected by movements in the exchange rates between Hong Kong dollar, Renminbi and United States dollar. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2024. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

During the year ended 31 December 2024, the Group invested a total sum of approximately HK$2.17 million (2023: HK$4.00 million) in the acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 31 December 2024, the Group employed a total of 459 employees, as compared to 517 employees as at 31 December 2023. Staff costs (excluding directors' emoluments) amounted to approximately HK$88.39 million (including related equity-settled share-based payments of approximately HK$0.25 million) for the year ended 31 December 2024 as compared to approximately HK$105.06 million (including related equity-settled share-based payments of approximately HK$1.26 million) for the year ended 31 December 2023. The Group has a comprehensive and competitive staff remuneration and benefits system which is based on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINTIES FINANCIAL RISKS

Interest Rate Risk

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

Currency Rate Risk

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

Credit Risk

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

BUSINESS RISKS

Market Risk

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

Operational Risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year ended 31 December 2024, the Group has carried out the following environmental works for the paint business of the Group with the aims of "Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability":

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

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

(3) effective use of water and electricity; and

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

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

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the year ended 31 December 2024. The Board has not yet authorised any plan for other material investments or additions of capital assets.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE REVIEW

The audit committee of the Board has met the external auditors of the Company, Messrs. Ernst and Young ("EY"), and reviewed the Group's annual results for the year ended 31 December 2024.

SCOPE OF WORK OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by EY, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

CORPORATE GOVERNANCE

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the business of the Group. For the year ended 31 December 2024, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2024.

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

Hong Kong, 27 March 2025

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