CNT GROUP LIMITED
北海集團有限公司

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

Annual Report 2023

ALWAYS MOVING
FORWARD

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Directors
Tsui Ho Chuen, Philip
Zhang Yulin

Independent Non-executive Directors
Ko Kwok Fai, Dennis
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

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

SHARE REGISTRARS

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

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

PRINCIPAL BANKERS

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

PRC
HSBC Bank (China) Company Limited
Bank of China Limited
Shenzhen Rural Commercial Bank Corporation Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

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

WEBSITE

www.cntgroup.com.hk

Chairman's Statement

OVERVIEW

During the year ended 31 December 2023, 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 also active in enriching its investment property portfolio for the purposes of increasing the rental income as well as value appreciation. During the year, the 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 2022. The revenue from the hotel business of the Group also increased which resulted in a decrease in the segmental loss during the year ended 31 December 2023.

The global business environment has gradually improved in 2023, even though such the macroeconomic performance continues to be affected by a number of uncertainties, such as the geopolitical tensions, the Russia-Ukraine conflict and the global inflationary pressure. The economy rebound in Mainland China did not benefit each economic sector in 2023. In particular, the property sector was sluggish and the levels of foreign investments in Mainland China remained low and the domestic consumption in the country was not recovering and improving at such pace as originally anticipated. Following the removal of all quarantine restrictions measures in January 2023, Hong Kong economy has also gradually revived during the year.

The revenue of the paint and coating business of the Group recorded a decrease of 29.8% in 2023 to approximately HK$448.48 million, as compared to approximately HK$639.13 million in 2022. The gross profit generated from this business in 2023 was approximately HK$136.93 million, representing a decrease of 1.2%, as compared to approximately HK$138.61 million in 2022.

Revenue generated from the investment property business of the Group in 2023 increased by 81.1% to approximately HK$36.18 million, as compared to approximately HK$19.98 million in 2022. The net fair value losses of the investment property portfolio of the Group amounted to approximately HK$30.56 million in 2023 as compared to the same of approximately HK$15.39 million in 2022, 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 2023 increased by 127.7% to approximately HK$11.0 million, as compared to approximately HK$4.83 million in 2022. The hotel business of the Group in 2023 was benefited from the increase in the number and consumption spending of visitors to Hong Kong.

The revenue of the Group for the year ended 31 December 2023 amounted to approximately HK$495.65 million, representing a decrease of 25.5%, as compared to approximately HK$665.59 million in 2022. Gross profit increased by approximately HK$18.42 million to approximately HK$174.58 million, representing an increase of 11.8%, as compared to the gross profit in 2022. Loss attributable to the shareholders of the Company for the year ended 31 December 2023 was significantly decreased to approximately HK$68.58 million, as compared to the loss attributable to the shareholders of the Company of approximately HK$94.08 million in 2022.

Chairman's Statement

PROSPECTS

The global economic outlook in 2024 remains uncertain due to the continuous development in the geopolitical tensions and the outbreak of military conflicts in some regions. The global inflationary pressure are forecasted to moderate further in 2024 and the possible interest rate decrease may reduce the pressure on commercial real estate valuations and the interest expense for project lending and financing.

The economic recovery of Mainland China is slower than the general consensus. In particular, the PRC's real estate market as a whole and the financial condition of certain real property developers are expected to remain uncertain because of various industry-wide issues.

In Hong Kong, the economic growth is also slow due to a numerous of internal and external factors. The domestic consumption was very conservative in 2023. Even after the normalisation of the border traffics between Hong Kong and Mainland China in 2023, the return of the visitors could only help partial recovery of the retail business sector in Hong Kong. The property market as well as the performance of the stock market are expected to remain at low levels. Office lease market is forecasted no significant growth in 2024 due to the cautious approaches taken by the business enterprises when they are considering in expanding their business presence in Hong Kong amid the geopolitical tensions and the lower-than-expected economic performance across different business sectors.

The number of visitors increased as the borders between Hong Kong and Mainland China resume normal. Hong Kong continues to be one of the most attractive places for international conferences, trade shows and business events. Although the hotel business has begun to recover during the year, the profitability and the stability of such business in the future are far from overly positive and it is not straightforward to expect that the business will be fully recovered in 2024.

While maintaining its existing core paint and coating business through the CPM Group, the Directors constantly review the business activities of the Group, 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 2023, 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 and listed securities 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 2023, the Group recorded a loss attributable to the shareholders of the Company of approximately HK$68.58 million, as compared to the same of approximately HK$94.08 million for the year ended 31 December 2022. The loss incurred by the Group for the year ended 31 December 2023 was primarily due to the combined effect of (a) the net fair value losses of approximately HK$30.56 million recorded on the investment properties of the Group in Hong Kong and Mainland China as at 31 December 2023, as compared with the same of approximately HK$15.39 million as at 31 December 2022; and (b) the loss incurred by the CPM Group for the year ended 31 December 2023 of approximately HK$67.12 million as compared with the same of approximately HK$98.08 million for the year ended 31 December 2022. Further information on the performance of the CPM Group is set forth in the annual report of CPM for the year ended 31 December 2023.

Including the revenue generated by the CPM Group, the revenue of the Group during the year ended 31 December 2023 was approximately HK$495.65 million, represented a decrease of 25.5% from HK$665.59 million for the year ended 31 December 2022. The amount of gross profit of the Group for the year ended 31 December 2023 was approximately HK$174.58 million, represented an increase of 11.8% from HK$156.16 million for the year ended 31 December 2022. The increase in the gross profit of the Group was primarily due to the increase in rental income from the investment properties held by the Group and the improvement in the gross profit margin during the year ended 31 December 2023.

Furthermore, the Group achieved an adjusted profit of approximately HK$36.18 million for the year ended 31 December 2023, as compared to an adjusted loss of approximately HK$38.62 million for the year ended 31 December 2022. This adjusted profit or loss excluded various gains and expenses such as depreciation of property, plant and equipment, provision for impairment of trade and bills receivables, depreciation of right-of-use assets, share option expenses, net fair value losses on investment properties, finance costs and income tax.

The revenue of the paint and coating business of the CPM Group accounted for 90.5% of the Group's revenue for the year ended 31 December 2023, as compared to 96.0% of the same for the year ended 31 December 2022.

Management Discussion and Analysis

INVESTMENT PROPERTY BUSINESS

Investment Properties

The revenue generated from the investment property business for the year ended 31 December 2023 amounted to approximately HK$36.18 million as compared to approximately HK$19.98 million for the year ended 31 December 2022. The significant increase in the amount of revenue was primarily due to the increase in the investment properties held by the CPM Group following the integration of its paint and coating production activities in the PRC.

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 2023 amounted to approximately HK$15.56 million (as compared to approximately HK$16.06 million for the year ended 31 December 2022) and approximately HK$20.62 million (as compared to approximately HK$3.92 million for the year ended 31 December 2022), respectively.

The investment property portfolio of the Group consists of 20 properties as at 31 December 2023 as compared to 17 properties as at 31 December 2022. The gross floor area of the investment property portfolio includes properties with gross floor area of 1,014,246 square feet ("sq. ft.") as at 31 December 2023, as compared to 704,357 sq. ft. as at 31 December 2022. These investment properties included residential, commercial and industrial properties in Hong Kong and Mainland China and are held for the purposes 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$772.93 million as at 31 December 2023 as compared to approximately HK$729.08 million as at 31 December 2022, including the investment properties held by the CPM Group, representing a modest increase of 6.0% as compared to the same as at 31 December 2022. The increase in the market value of the investment properties was primarily due to the net-off effect of (a) the reclassification of certain properties owned by the CPM Group in Mainland China to investment properties; (b) the record of the net fair value losses on investment properties of the Group; and (c) the depreciation of Renminbi as at 31 December 2023.

The market value of the investment properties of the Group (excluding the CPM Group) and the CPM Group as at 31 December 2023 amounted to approximately HK$463.84 million (as compared to approximately HK$488.14 million as at 31 December 2022) and approximately HK$309.09 million (as compared to approximately HK$240.94 million as at 31 December 2022), respectively.

The average occupancy rate for the investment properties of the Group in 2023 was 93.6%, as compared to 81.9% in 2022. The increase in the occupancy rate was primarily due to the leasing of the production plant in Shajing (the "Shajing Production Plant") and parts of the production plant in Zhongshan, the PRC by the CPM Group to independent third parties. The recorded gross rental income (including inter-group rental income) increased to approximately HK$39.40 million for the year ended 31 December 2023 as compared to approximately HK$24.68 million for the year ended 31 December 2022.

INVESTMENT PROPERTY BUSINESS (continued)

Investment Properties (continued)

The segmental profit for the year ended 31 December 2023 amounted to approximately HK$1.32 million, as compared to approximately HK$7.78 million for the year ended 31 December 2022. The significant decrease in the segmental profit was primarily due to the net fair value losses of approximately HK$30.56 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2023, as compared to the same of approximately HK$15.39 million as at 31 December 2022. The increase in the net fair value losses on investment properties of approximately HK$15.17 million during the year ended 31 December 2023 rendered the significant decrease in segmental profit for the year ended 31 December 2023. The net fair value losses for the year ended 31 December 2023 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.

INVESTMENT PROPERTY BUSINESS (continued)

Property Under Development (continued)

The Group is actively exploring different options available for the Re-development Project. Based on the current financial position of the Group and its business focus and expertise, the Directors are of the preliminary view that the Re-development Project may be disposed of to the independent third parties. 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 2023, the average number of available room nights was 76 and the occupancy rate was approximately 97%. The gross revenue from the hotel business for the year ended 31 December 2023 amounted to approximately HK$11.00 million, as compared to approximately HK$4.83 million for the year ended 31 December 2022. Segmental profit for the year ended 31 December 2023 amounted to approximately HK$0.33 million, as compared to segmental loss approximately HK$6.08 million for the year ended 31 December 2022.

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

PAINT AND COATING BUSINESS

Further information on the paint and coating business is set forth in the annual report of CPM for the year ended 31 December 2023 and the following information on the paint and coating business is extracted for ease of reference.

General Background

For the paint and coating business, the products of the CPM Group can be broadly divided into industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products. Industrial paint and coating products are used in a wide range of applications, such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are used by manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall, floor and exterior parts of buildings. The architectural paint and coating products of the CPM Group focus primarily on 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, can be used for both architectural and industrial purposes.

PAINT AND COATING BUSINESS (continued)

General Background (continued)

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 2023 (with comparative figures for the year ended 31 December 2022):

	Year ended 31 December				
	2023		2022		% of net
	HK$'000	**%**	HK$'000	%	change
Industrial paint and coating products	**172,863**	**38.6**	227,764	35.6	(24.1)
Architectural paint and coating products	**178,225**	**39.7**	273,717	42.8	(34.9)
General paint and coating and ancillary products	**97,387**	**21.7**	137,653	21.6	(29.3)
	448,475	**100.0**	639,134	100.0	(29.8)

The CPM Group continues to focus on Mainland China market with contributed to approximately 86.8% (2022: approximately 89.3%) of the total revenue generated from the sales of the paint and coating products in 2023.

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 2023 amounted to approximately HK$448.48 million, representing a significant decrease of 29.8% as compared to approximately HK$639.13 million for the year ended 31 December 2022.

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

The CPM Group experienced a significant decrease in sales of its architectural paint and coating products from the real estate market in Mainland China, with a decrease of 42.0% for the year ended 31 December 2023, as compared to the same in 2022. This decrease was primarily due to several key developments. Firstly, the persistent sluggishness of the real property market since 2022 led to a reduced construction area for new residential and commercial property projects in Mainland China, resulting in the continuous decreasing demand for paint and coating products from the real estate market. Secondly, the credit crunch in the real estate market in Mainland China and ongoing concerns regarding the sustainability and going concern issues related to property developers in the region prompted the CPM Group to be cautious in its sales strategies in order to maintain a healthy and stable financial position and performance. This adjustment reduced the sales of paint and coating products in the real estate market. Lastly, the overall economic slowdown in the real estate market in Mainland China and increased competition in the paint and coating industry in the region also contributed to the decrease in sales.

Meanwhile, this decrease also had a direct and indirect negative influence on the demand for general paint and coating and ancillary products, which are used in conjunction with the architectural paint and coating products.

PAINT AND COATING BUSINESS (continued)

Segmental Results (continued)

Significant decrease in demand for paint and coating products from the industrial manufacturing market in Mainland China

The CPM Group experienced a significant decrease in sales of its industrial paint and coating products from the industrial manufacturing market in Mainland China, with a decrease of 32.5% for the year ended 31 December 2023, as compared to the same in 2022. The primary factors contributing to this decrease were challenging economic conditions, which is evidenced by a significant decrease in exports indicating reduced demand for manufacturing goods. Furthermore, the China Manufacturing Purchasing Managers Index recorded below 50.0 for most of the year 2023. In addition, the sluggish performance of the real estate industry led to continuous decreasing demand for architectural paint and coating products. Several paint and coating manufacturers responded by enhancing their production capacity for industrial paint and coating products and implementing competitive pricing strategies to attract potential users. The combination of reduced demand in the industrial paint and coating product sector and intensified competition led to a significant sales decrease of 32.5% for the CPM Group's industrial paint and coating products for the year ended 31 December 2023.

Meanwhile, this decrease also had a direct and indirect negative influence on the demand for general paint and coating and ancillary products, which are used in conjunction with the industrial paint and coating products.

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2023, the CPM Group's revenue generated from the sales in Mainland China and Hong Kong accounted for approximately 86.8% and 13.2%, respectively, as compared to approximately 89.3% and 10.7%, respectively for the year ended 31 December 2022. 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 approximately 81.4% of the CPM Group's total amount of revenue for the year ended 31 December 2023, as compared to approximately 83.4% in 2022.

Significant decrease in the sales of paint and coating products to construction and renovation contractors for property and infrastructure projects in the Southern China, the Central China and the Eastern China

For the year ended 31 December 2023, the CPM Group experienced a significant decrease in the sales of paint and coating products to construction and renovation contractors for property and infrastructure projects in the Southern China, the Central China and the Eastern China, with a total decrease of HK$81.77 million. Specifically, the sales decreased by 35.5% to approximately HK$69.88 million in the Southern China, 51.2% to approximately HK$25.27 million in the Central China, and 42.6% to approximately HK$22.57 million in the Eastern China. These decreases were attributable not only to the sluggish economic environment but also to the escalating financial strain among property developers, resulting in the reduction of revenue from the sales during the year.

In response to customer risks, in alignment with actions taken by other paint and coating manufacturers, the CPM Group adjusted its sales strategy by reducing production capacity in architectural paint and coating products, focusing on industrial paint and coating products for industrial manufacturers, and implementing more stringent credit terms for its real estate customers. Furthermore, the CPM Group enhanced the straight implementation of the credit period provided to its real estate customers. Cumulatively, these measures significantly contributed to the overall decrease of HK$92.59 million, representing a 42.0% reduction in the CPM Group's revenue generated from the sales of paint and coating products to construction and renovation contractors for property and infrastructure projects in Mainland China for the year ended 31 December 2023.

PAINT AND COATING BUSINESS (continued)

Geographical Analysis of Revenue (continued)

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

For the year ended 31 December 2023, the CPM Group's revenue from the sales of paint and coating products to industrial manufacturers in the Southern China decreased by HK$39.88 million and the Eastern China decreased by HK$7.81 million, marking a decrease of 32.0%, as compared to a 3.1% decrease in 2022. The main factors contributing to this downturn were (i) a 3.9% decrease in the export of goods; (ii) Chinese government's regulations promoted the adoption of Low-VOC Coatings, leading several industrial manufacturers to switch to using powder coatings; and (iii) heightened competition in the industrial paint and coating products market sector. Furthermore, some paint and coating manufacturers adjusted their production capacity from architectural paint and coating products to industrial paint and coating products. The overall intensification of the paint and coating industry in the industrial sector was driven by environmental concerns, government-supported upgrades, an increase in overall production capacity in the industrial paint and coating market sector, and decreased demand from the overall industrial paint and coatings products market sector due to a reduction in export of goods. These combined factors significantly affected the CPM Group's overall revenue generated from the sales to industrial manufacturers in Mainland China, precipitating a decrease of HK$51.40 million or 32.5% for the year ended 31 December 2023.

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

The CPM Group experienced a significant decrease in the sales of paint and coating products to the distributors in the Southern China and the Eastern China, resulting in a total decrease of HK$35.35 million for the year ended 31 December 2023. Specifically, sales decreased by 16.6% to approximately HK$111.12 million in the Southern China and 32.0% to approximately HK$28.12 million in the Eastern China. This decrease was driven by the sluggish real estate market, with a substantial drop in sales of completed and second-hand properties in Mainland China. Consequently, there was a notable decrease in the demand for building, fitting out work, and renovation projects. These factors significantly affected the CPM Group's revenue generated from the sales of paint and coating products to the distributors in Mainland China, which was decreased by HK$37.26 million or 19.4% for the year ended 31 December 2023.

Decrease in the sales of paint and coating products to distributors in Hong Kong

For the year ended 31 December 2023, the CPM Group's revenue generated from the sales of paint and coating products to the distributors in Hong Kong was decreased by 16.9%, as compared to an increase of 4.2% in 2022. Apart from the impact of proactive credit management and provision for impairment of trade and bills receivables, such decrease was also influenced by the sluggish real estate market, leading to a reduction of sales of completed and second-hand properties in Hong Kong. Consequently, there was a notable decrease in demand for building, fitting out work, and renovation projects. Additionally, public information indicated a decrease of 2.7% in the sales of overall commercial and residential properties in Hong Kong, while sales of first-hand completed residential properties in the private sector in New Territories, Hong Kong dropped by 22.4%.

PAINT AND COATING BUSINESS (continued)

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. In 2023, the anticipated increase in crude oil supply and subsequent decrease in international crude oil prices were observed following measures implemented by the G7 and the European Union in December 2022. These measures set an initial price cap of US$60 per barrel on Russian seaborne oil, along with an adjustment mechanism to maintain the cap at 5% below the market price, subject to regular reviews every two months. Despite prevailing high inflation in 2023, these measures resulted in a 18.1% decrease in international crude oil prices, with the lowest price reaching US$66 per barrel in March 2023. While paint and coating manufacturers experienced an improvement in their gross profit margin, such enhancement did not correspond with the decrease in the raw material prices. This disparity could be attributable to their strategic focus on operational efficiency, exemplified by recent expansions involving the establishment of new production facilities and the acquisition of substantial manufacturing plants in Mainland China, with the objective of attaining economies of scale in production. Consequently, these developments have intensified competition within the paint and coating market.

In addition to the decrease in raw material prices in Mainland China market, the CPM Group also executed strategic initiatives to optimise raw material costs and diversify sourcing options. This led to a reduction of the raw material portion in the cost of sales to 86.3% in 2023, down from 87.2% as compared to 2022, demonstrating a concerted effort to drive efficiencies through strategic partnerships, as detailed in the 2022 Annual Report. Additionally, the CPM Group achieved a notable 38.4% reduction in overall raw material costs in the cost of the sales, surpassing the 29.8% decrease in sales, thereby emphasising substantial improvements in cost management practices and the strategic alignment of partnerships.

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

As previously noted, the paint and coating industry enjoyed a favourable downward trend in relation to fluctuations in low to medium raw materials prices, as compared to 2022. This trend was caused by the downward adjustment of international crude oil prices, a sufficient supply of raw materials in Mainland China, and the controlled adjustment of raw material prices by the Chinese government throughout 2023. Additionally, the revenue generated from the sales of paint and coating products was decreased by 29.8%, as compared to the year ended 31 December 2022. Nevertheless, the CPM Group's achieved a satisfactorily increase in gross profit margin from the sales of paint and coating products by 8.8 percentage points to 30.5%, up from 21.7% in 2022, as a result of effective business revamp measures and initiatives, such as the strategic integration of production facilities in the Southern China.

The CPM Group's gross profit generated from the sales of paint and coating products was slightly decreased by HK$1.69 million, as compared to 2022. The substantial 29.8% sales decrease resulted in an estimated gross profit decrease of approximately HK$41.33 million. Nonetheless, a marginal increase in the gross profit margin, amounted to approximately HK$39.64 million, effectively offset this reduction. Consequently, the CPM Group's loss attributable to the owners of the parent company was decreased to approximately HK$67.12 million in 2023 from loss of approximately HK$98.08 million in 2022.

PAINT AND COATING BUSINESS (continued)

Other Income and Gains, Net

The net amount of other income and gains for the year ended 31 December 2023 showed a significant decrease of 78.9% to HK$7.69 million, as compared to HK$36.40 million for the year ended 31 December 2022. This decrease was primarily attributable to the absence of one-off transactions, in particular subsidy receipts from the Chinese government of HK$29.43 million for removal of solvent production lines and storage tanks in the Shajing Production Plant and the production plant in Hubei (the "Hubei Production Plant").

Selling and Distribution Expenses and Administrative Expenses

After a 29.8% decrease in the sales of paint and coating products, the CPM Group implemented stringent cost-saving measures in the associated selling and distribution expenses, resulting in a significant decrease. Consequently, the selling and distribution expenses for the year ended 31 December 2023, were decreased by 31.1% to approximately HK$62.29 million, as compared to approximately HK$90.46 million for the year ended 31 December 2022. Notably, remuneration for salespersons was decreased by HK$13.02 million, transportation costs were decreased by approximately HK$7.56 million, advertising expenses were decreased by approximately HK$1.61 million, entertainment and dining expenses with customers were decreased by approximately HK$1.52 million, and rental expenses for sales administration were decreased by approximately HK$1.30 million, in comparison to 2022.

Following the integration of the production plants in Mainland China in 2022, the administration expenses for the year ended 31 December 2023 were significantly decreased by 25.1% to approximately HK$83.91 million, as compared to approximately HK$112.07 million for the year ended 31 December 2022. Notably, remuneration and other related expenses (including depreciation, consumable goods, etc.) were decreased by approximately HK$18.67 million, primarily due to the cost savings from the integration of the production plants in Mainland China, as compared to 2022. Additionally, the absence of professional fees and demolition expenses incurred for removing solvent production lines and storage tanks in both the Shajing Production Plant and Hubei Production Plant, which amounted to HK$9.99 million in 2022. Lastly, staff share option expenses was decreased by approximately HK$3.93 million, as compared to 2022.

Other Expenses, net

For the year ended 31 December 2023, the amount of other expenses was decreased by 3.9% to approximately HK$56.57 million, as compared to approximately HK$58.86 million in 2022, primarily driven by a combination of factors. Favourable factors contributing to this result included a significant decrease in staff termination costs by HK$20.36 million, a decrease in local taxes, levies, and stamp duties by HK$2.88 million, the absence of provision for impairment of right-of-use assets and property, plant and equipment of HK$8.00 million, the reversal of provision for impairment of right-of-use assets and property, plant and equipment of HK$4.64 million, and a decrease in write-off of certain fixed assets of HK$1.30 million. However, adverse factors included a substantial increase in the provision for impairment of the trade and bills receivables, amounting to approximately HK$33.82 million, the net fair value loss on investment properties of HK$11.48 million and a loss on the revaluation of right-of-use assets and property, plant and equipment of HK$1.80 million.

PAINT AND COATING BUSINESS (continued)

Other Expenses, net (continued)

During the year ended 31 December 2023, the CPM Group recorded staff termination payments of approximately HK$1.22 million, signifying a substantial decrease of 94.3% from approximately HK$21.58 million in 2022. This adjustment in 2023 was a necessary step following the completion of the integration of production plants in Mainland China in 2022.

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. Additionally, the CPM Group applied the probability of default approach as an additional methodology for assessing property developers and contractors working for property developers, evaluated by a professional valuer as at 31 December 2023. However, the CPM Group encountered challenges due to economic uncertainty stemming from heightened financial stress among property developers in Mainland China. Despite a 33.9% decrease in the gross amount of trade and bills receivable as at 31 December 2023, an additional provision for the impairment of trade and bills receivables of HK$50.13 million was necessary, resulting in a 63.0% increase in the gross provision for the impairment of trade and bills receivables to HK$121.56 million as at 31 December 2023.

Business Initiatives

In 2024, the CPM Group aims to enhance the value and volume of the sales of paint and coating products, optimise financing facilities, minimise the costs of borrowings, and improve the recovery from trade and bills receivables. To achieve these objectives, the following business initiatives are currently being implemented:

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

   Starting from 2022, the CPM Group has strategically collaborated with other manufacturing factories to diversify its portfolio of paint and coating products, leveraging mutual patent-sharing and innovative formulas to provide customers with an expanded array of pricing choices. In 2023, the CPM Group successfully introduced modified products to both existing and new customers in Mainland China, marking an expansion of its market reach. Consequently, the CPM Group's ongoing efforts to broaden its product range through partnerships enable it to meet evolving customer preferences and needs, fostering customer retention and acquisition.

   Moreover, the CPM Group's initiative to offer a wider range of pricing options is driven by the utilisation of patents, new formulas, and advanced raw materials. This enables the CPM Group to accommodate customers across various budget segments, thereby enlarging its customer base and bolstering sales.

   In addition, the CPM Group's commitment to customer-centric product development and market expansion is a strategic step in the right direction. These efforts are expected to drive increase in the sales and customer satisfaction, ultimately leading the CPM Group to the growth in the sales of paint and coating products in the future.

PAINT AND COATING BUSINESS (continued)

Business Initiatives (continued)

2. Strategic Financial Restructuring and Optimisation

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

During the year 2023, the CPM Group entered into 3-year loan agreements with its holding company and the fellow subsidiaries, which qualified as fully exempted connected transactions and were based on normal commercial terms. As at 31 December 2023, the outstanding balance was HK$95.97 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. Consequently, as at 31 December 2023, the amount of the CPM Group's net current assets was significantly increased by 59.1% to HK$114.96 million (31 December 2022: approximately HK$72.25 million).

Restructuring of Financing Arrangements for Enhanced Cost Efficiency

During the year 2023, the CPM Group expanded its banking facilities in Mainland China and optimised financing by securing low-cost borrowings in Mainland China and replacing the high-cost borrowings in Hong Kong. Consequently, as at 31 December 2023, bank borrowings from Mainland China experienced a substantial increase, while banks borrowing from Hong Kong showed a significant decrease. Transitionally, as at 31 December 2023, the amount of the pledged deposits significantly was increased by 134.6% to approximately HK$98.99 million (31 December 2022: approximately HK$42.20 million). This restructuring of financing is an ongoing initiative, and this initiative will continue in 2024. Following this reorganisation of financing arrangements, the cost of banks borrowing could be significantly reduced.

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's value and financial resilience.

PAINT AND COATING BUSINESS (continued)

Business Initiatives (continued)

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

Amid the economic uncertainties caused by the heightened financial stress among property developers in Mainland China and various factors, the CPM Group has proactively tackled these challenges through strategic credit management. In response to the impact of extended payment deferrals on cash flow, the CPM Group adjusted its credit terms to mitigate associated risks. This involved shortening the credit term for customers and engaging in extensive discussions and negotiations to maintain financial stability and ensure timely receivables, which help safeguarding liquidity.

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.

Additionally, the determination of the amount of impairment provision for trade and bills 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 and prudent standards for impairment provision for trade and bills receivables, the CPM Group reinforces the transparency and prudence of its financial reporting, instilling confidence in its ability to mitigate credit risks and maintain sustainable operations.

OTHER BUSINESSES

Equity Investments Designated at Fair Value Through Other Comprehensive Income

The Group owns 12.5% equity interest in Profitable Industries Limited ("Profitable Industries"), an investment holding company, which is in turn engaged in a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, Mainland China. The Cemetery is operated under the name of "Fortune Wealth Memorial Park" which is focused on the development, construction, management and operation of a cemetery. The Cemetery offers grave lots, ordinary columbarium niches and luxury columbarium niches. The other shareholder of Profitable Industries is Chuang's China Investments Limited ("Chuang's China"), a company listed on The Stock Exchange 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 and 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 2023, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu agreed by the local government authorities. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. For Phase II and Phase III, land use rights of approximately 143 mu have been obtained, which will accommodate a total of 22,212 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. 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 Profitable Industries as at 31 December 2023 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 2023 was approximately HK$28.13 million when compared with approximately HK$36.87 million as at 31 December 2022.

Financial Assets at Fair Value Through Profit or Loss

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

For the year ended 31 December 2023, the investment recorded a net loss on dealings in financial assets at fair value through profit or loss held for trading of approximately HK$0.15 million, as compared with the same of approximately HK$1.11 million for the year ended 31 December 2022. The net fair value losses on financial assets at fair value through profit or loss held for trading of approximately HK$0.34 million for the year ended 31 December 2022.

In view of the attractive time deposit interest rates offered by the banks in Hong Kong, the Group has put the remaining balance of approximately HK$7.08 million of the investment fund in Hong Kong dollar time deposits with certain banks/a bank in Hong Kong.

OUTLOOK

The Directors believe that the global environment remains uncertain in 2024. The global economy continued to face a number of challenges, including the slow global economic growth coupled with the high interest rate environment, as well as the persistent geopolitical uncertainty and the negative spillovers from the conflicts in Ukraine and the Middle East.

The market expects a slowdown in both US economic growth and inflation and foresees a peak in the interest rates of US dollars and Hong Kong dollars and it is still expected that interest rates will remain at a high level for some time.

The economy in Mainland China remained sluggish and the liquidity challenges faced by some leading property developers in the PRC would continue and hence dampen the market sentiment.

The Hong Kong economy returned to positive growth in 2023 with the expectation of a swift recovery following the reopening of border with Mainland China. The gradual return of travellers for both business and leisure provided genuine support to the recovery of the local hospitality sector. The hotel business has resulted in steady improvement in the operating performance.

The paint and coating industry in Mainland China and Hong Kong is poised for steady growth, benefiting various sectors such as construction, automotive, and industrial manufacturing as the economies in both regions recover.

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 continues to benefit from the government's emphasis on urbanisation, particularly with ongoing projects related to indemnificatory apartments and shanty area rebuilding. In Hong Kong, the government focuses on sustainability and green initiatives, it helps creating opportunities for paint and coating manufacturers to offer eco-friendly products, aligning with the government's plan to develop a green economy and invest in sustainable infrastructure.

Overall, the paint and coating industry in Mainland China and Hong Kong is anticipated to demonstrate continued growth in 2024. By focusing on offering innovative and sustainable products and services, the CPM Group can effectively capitalise on these opportunities and meet the growing demand in these markets, positioning itself for success in the evolving industry landscape.

The Directors notice that the property leasing markets for offices and residential properties will continue to be not entirely favourable in 2024. In addition, the defaulting debts of the property developers in Mainland China could further delay the prospect and the recovery of both the property market and the boarder Mainland China economy. The regulatory bodies of Mainland China have implemented a series of policies in late August 2023 to support the property market, including mortgage rates cuts, reducing restrictions on home transactions, and lowering the reserve requirement ratio. The measures were intended to help property developers and stabilise the market.

The Hong Kong Government scraped all property cooling measures and the relaxation of property mortgage loan regulations by the Hong Kong Monetary Authority in February 2024, it is expected that the removal of various stamp duties has potential to attract investors back into the property market.

OUTLOOK (continued)

For the property leasing market in Hong Kong, the demand for office space in Hong Kong is less likely to strongly rebound because of a number of reasons. Some companies have relocated its headquarters or regional offices to other places. Office expansion continues to tread along a prudent path, as it is affected by the growing popularity of hybrid workplace and improved IT infrastructure. The trend of remote working also reduces the demand for dedicated office space particularly in the prime business areas. However, small and medium-sized businesses may continue to use physical offices. The demand for commercial offices is therefore expected to gradually improve in the near future. Office leasing is expected to improve, so as the rental and return of investment properties during the rest of 2024.

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.

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$68.58 million for the year, as compared to a loss attributable to the shareholders of approximately HK$94.08 million in 2022. Revenue for the year amounted to approximately HK$495.65 million, representing a decrease of 25.5%, as compared to approximately HK$665.59 million in 2022. Gross profit for the year amounted to approximately HK$174.58 million, representing an increase of 11.8%, as compared to the same in 2022. The gross profit margin increased by 11.7 percentage points from 23.5% in 2022 to 35.2% in 2023.

SEGMENT INFORMATION

Business Segments

Paint and Coating Products

Paint operation continued to contribute the largest revenue to the Group with revenue of approximately HK$448.48 million, accounting for 90.5% of the Group's total revenue. Segment revenue for the year decreased by 29.8%, as compared to the same in 2022. However, the paint and coating industry reported a decrease in overall total profit for the year 2023, attributing this to continued intense competition, price differentiation and reduced profit margins among manufacturers. Amid these challenges, the industry benefitted from decreasing production costs due to low international crude oil prices, resulting in lower raw material costs for paint and coating products. As a result, the gross profit margin increased by 8.8 percentage point from 21.7% in 2022 to 30.5% in 2023. Despite this improvement the segment loss for the year amounted to approximately HK$58.15 million, representing a significant decrease of 32.7%, as compared to segment loss of approximately HK$86.37 million in 2022. This segment loss was primarily attributable to the provision for impairment of trade and bills receivables of HK$50.13 million, in accordance with HKFRS 9, considering both historical credit loss experience and forward-looking information, as well as the probability of default approach under the market conditions in the property development and construction sectors.

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

Property Investment

For the year ended 31 December 2023, revenue of the property investment business amounted to approximately HK$36.18 million, representing 7.3% of the Group's total revenue. Segment profit for the year amounted to approximately HK$1.32 million, as compared to the segment profit of approximately HK$7.78 million for the year ended 31 December 2022.

The significant decrease in the segmental profit was primarily due to the net fair value losses of approximately HK$30.56 million recorded on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2023, as compared to the same of approximately HK$15.39 million as at 31 December 2022.

Hotel Business

For the year ended 31 December 2023, revenue of the hotel business amounted to approximately HK$11.00 million, representing 2.2% of the Group's total revenue. It had recorded a segmental profit for the year ended 31 December 2023 amounted to approximately HK$0.33 million, as compared to the segmental loss approximately HK$6.08 million for the year ended 31 December 2022.

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 2023 amounted to approximately HK$417.67 million (2022: approximately HK$582.21 million) and approximately HK$77.99 million (2022: approximately HK$83.38 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$260.39 million as at 31 December 2023 as compared to approximately HK$386.87 million as at 31 December 2022. The decrease in the balance of cash and cash equivalents was primarily due to the repayment of bank borrowings and the change in working capital. The total cash and bank balances, including pledge deposits, amounted to approximately HK$359.39 million as at 31 December 2023 as compared to approximately HK$429.08 million as at 31 December 2022.

Bank borrowings amounted to approximately HK$171.45 million as at 31 December 2023 as compared to approximately HK$289.12 million as at 31 December 2022. The bank borrowings of the Group mainly bear interest at floating rates. The total bank borrowings of the Group as at 31 December 2023 amounted to approximately HK$171.45 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 2023. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' funds, was 13.0% as at 31 December 2023 as compared to 19.9% as at 31 December 2022. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.38 times as at 31 December 2023 as compared to 1.39 times as at 31 December 2022.

For the year under review, the inventory turnover days[1] in 2023 were 31 days (2022: 31 days). The trade and bills receivables turnover days[2] decreased from 203 days in 2022 to 128 days in 2023.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2023 was approximately HK$1,323.30 million (31 December 2022: approximately HK$1,450.57 million). Net assets value per share as at 31 December 2023 was HK$0.76 (31 December 2022: HK$0.83). Shareholders' funds per share as at 31 December 2023 was HK$0.70 (31 December 2022: HK$0.76).

Contingent Liabilities

As at 31 December 2023 and 31 December 2022, no bank facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised.

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 365 days (31 December 2022: 365 days).

2 The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 365 days (31 December 2022: 365 days).

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of approximately HK$553.11 million as at 31 December 2023, as compared to approximately HK$746.45 million as at 31 December 2022, and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities, and bills payable and performance bonds.

As at 31 December 2023, the total outstanding secured bank borrowings amounted to approximately HK$131.01 million as compared to approximately HK$207.70 million as at 31 December 2022, lease liabilities amounted to approximately HK$0.06 million as at 31 December 2023 as compared to approximately HK$0.06 million as at 31 December 2022, and bills payable amounted to approximately HK$115.69 million as at 31 December 2023 as compared to approximately HK$134.66 million as at 31 December 2022.

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 2023. 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 2023, the Group invested a total sum of approximately HK$4.00 million (2022: HK$23.16 million) in the acquisition of property, plant and equipment as well as product research and development centre.

HUMAN RESOURCES

As at 31 December 2023, the Group employed a total of 517 employees, as compared to 608 employees as at 31 December 2022. Staff costs (excluding directors' emoluments) amounted 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 as compared to approximately HK$135.51 million (including related equity-settled share-based payments of approximately HK$4.21 million) for the year ended 31 December 2022. 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 Risks

Market risk for the Group includes a loss of market share to competitors. Hong Kong and Mainland China, the core markets in which the Group operates, are becoming increasingly competitive. Failing to consider changes in Hong Kong and Mainland China could lead to a loss of business to competitors, 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 2023, 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 2023, 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 businesses 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 2023. 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 2023.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions as set out in the CG Code.

CULTURE

The Board dedicates to promote a desired corporate culture that encourages care, innovation, dedication, responsibility and happiness throughout the Group and is committed to maintaining a robust corporate governance and high standard of corporate social responsibility. All Directors and employees of the Group are offered trainings from time to time to enhance the standards in respect of ethics. The Group has also formulated a sustainability framework focusing on environment protection, resource management, employees and community well-being to ensure that the corporate culture aligns with the purpose, values and strategy.

THE BOARD

During the year and up to the date of this report, the Board comprises the following members:

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

Non-executive Directors
Tsui Ho Chuen, Philip
Zhang Yulin

Independent Non-executive Directors
Ko Kwok Fai, Dennis
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel

The biographical details of the Directors and the relationships among them, if any, are set out in the "Biographies of Directors and Senior Management" on pages 62 to 64. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

The role of the Chairman and the Managing Director are separate and exercised by different individuals. Their respective responsibilities are clearly established and set out in writing. The Chairman is responsible for the management of the Board and ensuring that the Board is functioning effectively with good corporate governance practices and procedures; whilst the Managing Director is responsible for managing the Group's businesses, including implementation of major strategies and initiatives set by the Board.

THE BOARD (continued)

The Company has mechanisms in place to ensure independent views and input are available to the Board. The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has five independent non-executive Directors and three of the independent non-executive Directors possess appropriate professional accounting qualifications or financial management expertise. All the Board committees are chaired by the independent non-executive Director. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement. None of the independent non-executive Directors receives equity-based remuneration with performance-related elements. A Director (including the independent non-executive Director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.

The Board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on Directors' appointment or re-appointment, corporate governance duties and other significant operational and financial matters. The Board has delegated the day-to-day operations of the Group to management under the leadership of the Managing Director.

The Board meets regularly to discuss and review the Group's overall strategy, the operation and financial performance of the Group and other duties of the Board. The attendance record of each Director at the regular Board meetings and general meeting of the Company during the year is set out below:

Directors	Number of regular Board meetings attended/held	Number of general meeting attended/held
Executive Directors		
Tsui Yam Tong, Terry	4/4	1/1
Chong Chi Kwan	4/4	1/1
Non-executive Directors		
Tsui Ho Chuen, Philip	4/4	1/1
Zhang Yulin	3/4	1/1
Independent Non-executive Directors		
Ko Kwok Fai, Dennis	4/4	1/1
Huang De Rui	4/4	1/1
Zhang Xiaojing	4/4	1/1
Lin Yingru	4/4	1/1
Cheng Wai Po, Samuel	4/4	1/1

THE BOARD (continued)

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular Board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying Board papers are sent to all Directors at least 3 days before the date of a regular Board meeting. Draft and final versions of minutes of regular Board meetings are circulated to all Directors for their comments and records respectively. All Directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for the Directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of Directors and will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the Nomination Committee when considering new Director appointments. The Company has a nomination policy and a set of procedures and the process and criteria for selecting candidates for directorship of the Company has been in place. In assessing the suitability of a proposed candidate, the Nomination Committee will consider a number of criteria, such as expertise, experience, education background and integrity, having due regard to the board diversity policy of the Company. The Nomination Committee will review the curriculum vitae of the proposed candidate to assess whether the proposed candidate is qualified for the appointment before making recommendation to the Board for consideration.

All Directors appointed by the Board are subject to re-election at the first general meeting after their appointment. Every Director (including the non-executive Directors) is required to be re-elected at least once every three years at AGM pursuant to the Bye-laws.

Mr. Huang De Rui ("Mr. Huang") and Mr. Zhang Xiaojing ("Mr. Zhang") have served the Board as independent non-executive Directors for more than nine years. The Board concurs with the Nomination Committee and believes that Mr. Huang and Mr. Zhang are still independent. Being long-serving Directors, Mr. Huang and Mr. Zhang have developed an in-depth understanding of the Company's affairs, and have expressed objective views and given independent guidance to the Company during their tenure of office. There is no empirical evidence that the long services of Mr. Huang and Mr. Zhang would impair their independent judgment.

BOARD DIVERSITY

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the effectiveness of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will continue to be made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Nomination Committee will monitor and review the implementation of the board diversity policy of the Company annually to ensure its effectiveness.

BOARD DIVERSITY (continued)

During the year ended 31 December 2023, and as at the date of this report, the female Director accounted for 11.11% of the Board (1 female out of 9 Directors). The Board targets to maintain at least the current level of female representation and will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Board would seek appropriate candidates to enhance gender diversity of the Board when considering the appointment of new Directors and ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practice, and in accordance with the Listing Rules. The Board and the Nomination Committee shall review the rotation plan of each of the Board members at least once annually for succession planning, and appoint new Director based on the Company's nomination policy.

The Company has taken necessary steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. For the year ended 31 December 2023, the total workforce of the Group comprises 47.62% female and 52.38% male.

Further details on the gender ratio in workforce of the Group (including the senior management of the Company), together with the relevant data are set out in the "Environmental, Social and Governance Report" on page 46.

NON-EXECUTIVE DIRECTORS

The non-executive Directors and independent non-executive Directors are not appointed for a specific term. According to the Bye-laws, they are subject to the requirement to retire by rotation at least once every three years.

DIRECTORS' TRAINING

Every Director must always know his/her responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director would receive an induction package covering the Group's businesses, the statutory and regulatory obligations and duties of a director of a listed company. The Company continuously updates the Directors on the Group's businesses and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Directors participated in the following trainings:

Directors	**Type of training**
Executive Directors	
Tsui Yam Tong, Terry	A, B, D
Chong Chi Kwan	A, B, D
Non-executive Directors	
Tsui Ho Chuen, Philip	A, B, D
Zhang Yulin	A, B
Independent Non-executive Directors	
Ko Kwok Fai, Dennis	A, B, C, D
Huang De Rui	A, B, D
Zhang Xiaojing	A, B, D
Lin Yingru	A, B, D
Cheng Wai Po, Samuel	A, B, D

A: Reading materials given by the Company relating to the Company's businesses and the regular updates on the Listing Rules and other applicable regulatory requirements relevant to the director's duties and responsibilities

B: Attending briefings/seminars/conferences relevant to the director's duties and responsibilities

C: Giving talks at briefings/seminars/conferences relevant to the director's duties and responsibilities

D: Reading newspapers, journals and updates relating to the economy, environment and social issues or the director's duties and responsibilities

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference (available on the website of the Company at www.cntgroup.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk), which are of no less exacting terms than those as set out in the code provisions of the CG Code.

Audit Committee

During the year, the Audit Committee consisted of three independent non-executive Directors: Mr. Ko Kwok Fai, Dennis (AC Chairman), Mr. Huang De Rui and Ms. Lin Yingru.

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2022 annual results and the 2023 interim results before recommending them to the Board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process, the effectiveness of the risk management and internal control systems of the Group, and the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the Group's environmental social and governance performance and reporting. The Audit Committee resolved by resolutions in writing to approve (i) the fees, terms and conditions of engaging the Company's external auditors to audit and report on the financial statements of the Group for the year ended 31 December 2022; and (ii) the scope and extent of the agreed-upon procedures engagement with respect to the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group. The attendance record of each committee member is set out below:

Directors	**Number of committee meetings attended/held**
Ko Kwok Fai, Dennis *(AC Chairman)*	2/2
Huang De Rui	2/2
Lin Yingru	2/2

BOARD COMMITTEES (continued)

Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one executive Director: Mr. Ko Kwok Fai, Dennis (RC Chairman), Mr. Tsui Yam Tong, Terry and Mr. Huang De Rui.

The primary objectives and duties of the Remuneration Committee are set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include, inter alia, making recommendations to the Board on the remuneration policy and structure for all the Directors and the senior management of the Company and on the establishment of a set of formal and transparent procedures for developing its remuneration policy and reviewing and approving matters related to share option schemes. The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board. No Director is involved in deciding his/her own remuneration. Senior management of the Company comprises all the executive Directors only. Details of their remuneration are set out in note 8 to the financial statements. During the year, the Remuneration Committee held one meeting to review and approve the remuneration policy and the remuneration packages of the Directors. The Remuneration Committee resolved by resolutions in writing to approve the remuneration package of Mr. Tsui Yam Tong, Terry upon his appointment as the Chairman and an executive Director. The attendance record of each committee member is set out below:

Directors	Number of committee meeting attended/held
Ko Kwok Fai, Dennis *(RC Chairman)*	1/1
Tsui Yam Tong, Terry	1/1
Huang De Rui	1/1

Nomination Committee

During the year, the Nomination Committee comprised two independent non-executive Directors and one executive Director: Mr. Ko Kwok Fai, Dennis (NC Chairman), Mr. Chong Chi Kwan and Mr. Zhang Xiaojing.

The Nomination Committee met once during the year to review the structure, size, composition and diversity of the Board and assess the independence of independent non-executive Directors, to recommend the re-election of retiring Directors, and to review the board diversity policy, the nomination policy and the policy of independence of directors of the Company. The Nomination Committee believed that the retiring Directors will continue to contribute to the Board with their skills, experiences and knowledge. It considered that the long service of the independent non-executive Directors will not affect their exercise of independent judgement and they will remain committed to their role as independent non-executive Directors. The attendance record of each committee member is set out below:

Directors	Number of committee meeting attended/held
Ko Kwok Fai, Dennis *(NC Chairman)*	1/1
Chong Chi Kwan	1/1
Zhang Xiaojing	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing the effectiveness of such systems. The risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The systems can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage, rather than eliminate the risk of failure, to achieve business objectives.

For long-term growth and sustainability, effective risk management is a fundamental part of the Group's business strategy. The Board is responsible for managing risks lies initially with the business functions concerned, working within the overall strategy and establishing risk tolerance. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. In addition, the Board has conducted a half-yearly review of the effectiveness of the Group's risk management and internal control systems during the year with a view to enhance its risk management and internal control systems and has considered them effective and adequate.

The principal risks and uncertainties faced by the Group are set out in the section headed "Principal Risk and Uncertainties Financial Risk" under the "Management Discussion and Analysis".

A discussion of the policies on the financial risk management of financial risk which the Group is facing is included in note 41 to the consolidated financial statements.

INTERNAL AUDIT

Internal control system shall allow monitoring of the Company's overall financial position, safeguard its assets against major losses and misappropriation, provide reasonable assurance against material fraud and errors, and monitor and correct non-compliance efficiently.

Through the Company's outsourced internal auditors, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions.

During the year, the Company appointed the outsourced internal auditors. The outsourced internal auditors of the Company review the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aim to cover all major operations of the Group on a rotational basis. The outsourced internal auditors of the Company present their internal audit plan annually to the Managing Director for approval.

The Board confirmed that the internal control systems is effective. The Risk Management and Internal Control Report is received by the Board to confirm that the system is effective and there are no significant areas of concern. There are no changes to the system that were implemented over the year.

POLICY ON DISCLOSURE OF INSIDE INFORMATION

The Company has a policy on disclosure of inside information which sets out the system in place for monitoring the developments of the Group's business so that potential inside information can be escalated to the Board so as to decide whether announcement in relation to such inside information is to be made, in order to comply with the Listing Rules and the SFO.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with defined terms of reference as follows: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year and up to the date of the report, the Board has performed the corporate governance functions of the Group in accordance with its terms of reference.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard as set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's own code during the year ended 31 December 2023.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

EXTERNAL AUDITORS' REMUNERATION AND RELATED MATTERS

In 2023, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	**Remuneration**
	HK$
Audit services	4,730,000
Non-audit services	498,000
	5,228,000

The non-audit services rendered by the Company's external auditors to the Group included performance of agreed-upon procedures on the 2023 interim financial statements and the preliminary results announcement for the year ended 31 December 2023, the audit examination of the statement on details of contributions of the Group's occupational retirement schemes and performance of a review on continuing connected transactions for the year ended 31 December 2023.

RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement by the Company's external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 74 to 78.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with the Shareholders and has adopted a shareholders' communication policy to ensure that Shareholders and the investment community are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. Information in relation to the Group is disseminated to the Shareholders and the investment community in a timely manner through a number of communication channels including interim and annual reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and the corporate communications and other corporate publications on the website of the Company.

The Board had conducted a review of the implementation and effectiveness of the shareholders' communication policy during the year to consider the different channels of communication with Shareholders and considered that the policy has been properly implemented and is appropriate.

The 2023 AGM provided an opportunity for communication between the Shareholders and the Board, at which the Chairman and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee had attended to answer questions from the Shareholders. Details of the procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of Shareholders at the meeting were taken by poll and the poll results were published on the websites of each of the Company and Hong Kong Exchanges and Clearing Limited after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of Directors.

DIVIDEND POLICY

The Company has adopted a dividend policy which sets out various factors to be taken into account when considering declaration and payment of dividend. The factors included, but not limited to, the Group's financial performance, capacity from current and future operation, working capital requirements and general economic conditions. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy and will continually review the dividend policy from time to time.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to bye-law 58 of the Bye-laws, a special general meeting may be convened by the Board upon requisition by any Shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of the Companies Act.

Putting forward proposals at general meeting

Shareholders may submit a requisition to move a resolution at a general meeting pursuant to the Companies Act. The number of Shareholders necessary for a requisition shall be: (a) any number of Shareholders representing not less than one-twentieth (5%) of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the meeting; or (b) not less than one hundred (100) Shareholders holding the Shares.

The requisition specifying the proposal, duly signed by the Shareholders concerned, together with a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company would take appropriate actions and make necessary arrangements, and the Shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the Companies Act.

Making enquiries to the Board

Shareholders may send their enquiries to the Board in writing for the attention of the Company Secretary to the Company's office in Hong Kong at Unit E, 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong or by fax at (852) 2792 7341.

CONSTITUTIONAL DOCUMENTS

The Company has adopted an amended and restated Bye-laws at the AGM held on 6 June 2023. Details of the amendments to the Bye-laws have been set out in the circular of the Company dated 26 April 2023. An updated consolidated version of the Bye-laws is available on the Company's website at www.cntgroup.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

On behalf of the Board
CNT Group Limited

Tsui Yam Tong, Terry
Chairman
Hong Kong, 27 March 2024

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

The Board is pleased to present the environmental, social and governance ("ESG") report (the "ESG Report") of the Company for the year ended 31 December 2023 (the "Reporting Period"). The ESG Report outlines the policies, sustainability strategies, management approaches and initiatives implemented by the Group and the performance of the Group in environmental and social aspects of its business.

Reporting Scope

The ESG Report covers business in property investment and hotel business of the Group (excluding the manufacture and sale of paint and coating products#) in Mainland China and Hong Kong. Some subsidiaries of the Group are not covered in the ESG Report because their impacts on the revenue and ESG performance are not significant. During the Reporting Period, the Group ceased the trading of iron and steel business. Except for this, there were no significant changes to the scope of reporting.

Reporting Basis

The ESG Report discloses the required information under the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 (which has been reorganised as Appendix C2 with effect from 31 December 2023) to the Listing Rules. The relevant provisions and details are set out at the end of the ESG Report.

Reporting Principles

The Group adheres to the following reporting principles as the basis for the preparation of the ESG Report.

1. **Materiality**

   The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders of the Group that they should be reported, details of which are set out in the sections headed "Stakeholders' Engagement" and "Materiality Assessment" below.

2. **Quantitative**

   The quantified environmental and social key performance indicators ("KPI(s)") are disclosed in the ESG Report to give stakeholders of the Group a comprehensive picture of the Group's ESG performance. The information is accompanied by a narrative, explaining its purposes and impacts.

3. **Balance**

   Every effort has been made in the ESG Report to reflect the performance of the Group's ESG activities impartially and avoid selection, omission or presentation format that might inappropriately influence the decision or judgment of the readers of the ESG Report.

4. **Consistency**

   As far as is reasonably practicable, the Group has used consistent methodologies to allow for meaningful comparisons of ESG data over time.

CPM Group Limited is a non wholly-owned subsidiary of the Company and a company listed on the Stock Exchange. The environmental, social and governance report covering the business of the manufacture and sale of paint and coating products has been separately prepared by CPM Group Limited. Therefore, the business of CPM Group Limited and its subsidiaries has not been addressed in the ESG Report.

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board Statement

The Board takes overall responsibility for ESG matters and integrates such matters into the management approaches and strategies of the Group. It guides the management and monitors ESG matters that have been identified as relevant to the Group, and reviews the progress made against ESG-related goals and targets. For the disclosures about the supervision of the Board over ESG matters, the ESG management policies and strategies and the review progress of the Board made against ESG-related goals and targets and their relationship with the business of the Group, please refer to other disclosure in this "Management of Environmental, Social and Governance" section, which form part of the Board statement.

Report of Chairman

The Group is committed to corporate social responsibility and balancing environmental, social and economic benefits. It also aims to balance its business development with the interests of its key stakeholders and operates its businesses in a sustainable manner. To achieve this vision, the Group has set a sustainability framework that focuses on environmental protection, resource management, employees and community well-being and guides its sustainability efforts to ensure that sustainability elements are integrated into every business process and all business decisions.

The environmental footprint from the Group is relatively minor. Nonetheless, the global warming is a growing concern. As a socially responsible enterprise, the Group is committed to mitigating its environmental impact and integrating responsible environmental practices into its businesses. Meanwhile, the Group endeavours to foster a sense of environmental stewardship within the Group, with an aim to make joint efforts with employees to build an environmental-friendly and resource-saving enterprise.

The COVID-19 pandemic has been raging around the world in the past few years and the epidemic situation has undergone various changes. Since the end of 2022, the compulsory prevention measures in various regions have been gradually relaxed or cancelled, and the economy is gradually recovering. However, due to the global inflation and rising interest rates, the economic situation this year has still been very difficult. While praying these crises will pass, the Group keeps paying attention to the employees remuneration and benefits, career development opportunities, and provides a safe working environment to the employees and keeps the initial aim of embracing corporate social responsibility. At the same time, the Group continues to assess climate risks and study various adaptation methods to help coping with potential challenges. By doing these, we can seize opportunities in the face of crisis during hard time.

To achieve this vision, the Board has set a number of environmental and social KPIs and taken a top-down approach to disintegrate the KPIs into the functional departments. The Board not only improved the well-being of the employees but also urged the employees to make changes in different areas, such as reducing greenhouse gas emissions and making good use of resources. During the Reporting Period, the Group has made achievements by actively supporting the sustainable development strategies and objectives of the Group from the management team and all employees. The relevant scope, progress and achievements relating to the environmental and social KPIs are disclosed in the ESG Report.

The Group hopes that its professional management team can continue to commit to stable operation and prudent financial management policy, meet the challenges head-on with success, implement sustainable development strategies, improve business performance and create more meaningful long-term value for the enterprise and its stakeholders.

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Governance Structure

The Board believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. The establishment of an appropriate governance framework is critical to the successful implementation of the ESG sustainability strategies of the Group. Therefore, the Group sets up the ESG governance structure with clear duties and responsibilities. The Board sets long-term policies and strategies for all sustainability matters, reviews the implementation status and progress of ESG work annually and reports on its performance. The Board also identifies, reviews and evaluates the corporate responsibility, sustainability and climate change response of the Group through internal meetings. The management team reports to the Board on a regular basis to assist the Board in assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG risks. At the operational level, functional units are responsible for ensuring the integration of sustainability strategies and practices into the business operations of the Group and exploring new action plans or initiatives.

The Board

Board members are responsible for:
- Developing long-term sustainable development policies and strategies
- Assessing and identifying ESG risks and opportunities
- Ensuring appropriate and effective ESG risk management and internal monitoring systems
- Reviewing and approving policies, objectives and action plans or measures related to ESG
- Approving the ESG Report

Management Team

The management team is responsible for:
- Developing and reviewing ESG-related policies, objectives and action plans or measures
- Monitoring and reporting to the Board on the progress and quality of implementation of the action plans or measures
- Identifying ESG risks and opportunities
- Reviewing the ESG Report

Functional Departments

The functional departments are responsible for:
- Identifying, assessing, defining and reporting to management on significant ESG issues
- Performing ESG risk management and internal monitoring
- Ensuring ESG policies, objectives and action plans or measures are integrated into business operations
- Reporting to management on progress and quality of action plans or measures

The Board has appointed an independent consultant to provide advice on the ESG matters and assist in collecting data and information for conducting various analyses and providing improvement recommendations on ESG performance. The Group has also collected the views of key stakeholders on ESG matters during daily operations and conducted a materiality assessment to identify important ESG issues for the Group, details of which are disclosed in the sections headed "Stakeholders' Engagement" and "Materiality Assessment" below. To effectively lead the ESG process of the Group, the Board monitors the work of all departments to ensure that they work closely together to achieve the sustainable development goals of operational compliance and social responsibility.

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement

The Board recognises that the views of stakeholders are vital to the sustainability of the business and strives to establish a platform for communication between the Group and its key stakeholders to ensure a smooth flow of information. The Group maintains a close tie with its stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers, community, etc. by using multiple channels and strives to balance their opinions and interests and understands their needs and expectations through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its ESG risks to ensure that the relevant risk management and internal control systems are operating properly and effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and requests:

Stakeholders	Expectations and requests	Means of communication	Management response
Government/ regulatory organisations	➤ Compliance with the laws and regulations ➤ Fulfill tax obligation	➤ Periodic reports or announcements ➤ Correspondences ➤ Official website of the Company	➤ Uphold integrity and operational compliance ➤ Pay tax on time and make contribution to society ➤ Establish comprehensive and effective internal control systems
Shareholders/ investors	➤ Return on investment ➤ Information transparency ➤ Corporate governance system ➤ Operational risk management	➤ Information disclosed on the websites of the Stock Exchange and the Company ➤ General meeting ➤ Shareholders or investors enquiry hotline and fax	➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Maintain the highest standards of openness, probity and accountability ➤ Ensure transparent and efficient communications by dispatching information on the websites of the Company and the Stock Exchange ➤ Continue to focus and improve the risk management and internal control system
Employees	➤ Labour rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety	➤ Employee performance evaluation ➤ Induction and on-the-job training ➤ Internal meetings and announcements ➤ Contact via email, phone and communication applications	➤ Set up contractual obligations to protect labour rights ➤ Encourage employees to participate in continuous education and professional training to enhance competency ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and workplace safety
Customers	➤ High-quality products and efficient customer services ➤ Timely delivery ➤ Reasonable price/rent	➤ Business visit ➤ Contact via email, phone and communication applications	➤ Provide high-quality products and services continuously in order to maintain customers' satisfaction ➤ Establish an effective, efficient and green supply chain system ➤ Formulate comprehensive quality assurance process and recall procedures ➤ Ensure proper contractual obligations are in place

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement (continued)

Stakeholders	Expectations and requests	Means of communication	Management response
Suppliers	➤ Stable demand ➤ Good relationship with the Company ➤ Corporate reputation	➤ Business visit ➤ Contact via email, phone and communication applications	➤ Ensure fulfilment of contractual obligations ➤ Establish policies and procedures in supply chain management ➤ Promote fair and open competition ➤ Establish and maintain the long-term co-operative relationship with quality suppliers ➤ Stringent in selecting suppliers
Community	➤ Environmental protection ➤ Reduce greenhouse gas emissions and waste generation ➤ Effective use of resources ➤ Community involvement ➤ Economic development and community employment	➤ Official websites of the Stock Exchange and the Company	➤ Pay attention to the problem of climate change ➤ Encourage employees to participate in charitable activities and voluntary services ➤ Strengthen energy saving and emission reduction management ➤ Promote the concept of green mobility to employees ➤ Ensure good and stable financial performance and business growth

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment

During the Reporting Period, the Group held discussions with the key management and conducted materiality assessment through various channels to identify ESG issues in which both the Group and its key stakeholders are interested and assessed the level of concern as viewed by them so as to select the relatively important ESG issues. For the materiality assessment, the Group has adopted the following three processes:

Identification

- Through diverse channels and internal discussions
- Examines and adopts the ESG issues of concern in the past stakeholders' engagement
- Draws attention to emerging ESG issues

Prioritisation

- Synthesises, analyses and evaluates the views of all parties to identify and prioritise potential and important issues
- Develops materiality matrix based on the importance of the issue to the Group and its key stakeholders

Validation

- Interacts with the management team to validate the materiality assessment and ensure that these issues are aligned with the sustainable development direction sought by the Group
- Reports the materiality assessment to the Board and makes the required disclosures in the ESG Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment (continued)

Materiality assessment helps the Group to ensure its business objectives and development direction are in line with the expectations and requirements of its stakeholders. The matters of concern of the Group and stakeholders are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	Low	Medium	High
High	◆ Anti-discrimination ◆ Protecting labour rights	◆ Talent management ◆ Staff training and promotion opportunities ◆ Staff compensation and welfare	➢ Customers' satisfaction level ➢ Customer service quality ➢ Suppliers management ◆ Occupational health and workplace safety
Medium	➢ Community involvement	➢ Anti-corruption ➢ Intellectual property rights ◇ Air and greenhouse gas emissions ◇ Climate change	➢ Operational compliance ➢ Customers' data and privacy security measures
Low	◆ Preventive measures for child and forced labour ◇ Utilisation of water resources ◇ Generation of non-hazardous waste	◇ Energy conservation	

Importance to the Group

◇ Environmental ◆ Employee ➢ Operational

ENVIRONMENTAL PROTECTION

The Group strictly follows the environmental policy in "Energy saving, carbon reduction and compliance with the laws and regulations" in response to the global environmental protection trends and fulfills its social responsibilities. The Group always adheres to the management philosophy of sustainable development and devotes itself to improve its environmental performance. To maintain a balance between efficient operation and environmental protection, the Group has established a set of comprehensive environmental protection policies which cover air and greenhouse gas emissions reduction, energy efficiency enhancement, water conservation and hazardous and non-hazardous waste management. The Group has also formulated corresponding indicators and various measures to manage natural resources usage and mitigate the potential negative impact on the environment.

Emissions Management

The businesses of the Group including property investment and hotel, do not involve any production activities. Therefore, no packaging materials are used and no hazardous waste and air pollutants are produced in its ordinary course of business. The environmental impact of the Group mainly comes from the use of natural resources, generation of solid waste and discharge of wastewater from office and hotel. Energy conservation and emission reduction are the top priorities of the Group. The Group focuses on reducing energy consumption, improving energy efficiency and minimising the negative impact on the environment by undertaking various energy conservation measures (please refer to the section headed "Management of Use of Resources" below for details). Waste management carried out by the Group mainly involves domestic waste collection and wastepaper recycling in office and commercial waste collection in hotel rooms (please refer to the section headed "Management of Use of Resources" below for details). The hotel does not provide food and beverage services and hence, no kitchen waste is produced in the hotel business. Any illegal disposal of regulated electrical equipment is prohibited. Neither chemical nor wastewater containing hazardous substances is allowed to be discharged into the water pipelines.

The Group strictly abides by the Waste Disposal Ordinance, the Water Pollution Control Ordinance and other applicable laws and regulations on environmental protection in Hong Kong. The Group keeps track of the latest applicable laws and regulations on environmental protection in order to ensure that its environmental policies and measures are kept up-to-date with changes.

During the Reporting Period, there was no violation or non-compliance incident in relation to emissions that had a significant impact on the Group.

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources

In terms of resources management, the Group believes that operation and environmental protection are closely related. To minimise the adverse impact of its operations, products and services on the environment, the Group continuously and timely identifies issues arising from its business activities. Hence, the Group is committed to promoting its corporate culture on resources conservation by constantly reminding employees of the preciousness of resources and implementing various measures to encourage the staff to build a habit of conservation and make the best use of resources.

1. ***Energy Conservation***

   Electricity Conservation

   Electricity of the Group is mainly used in office and hotel illumination and other electrical appliances. The Group sets up a series of measures to save energy in order to raise the electricity effectiveness of electrical appliances and encourages employees to change their habit of using electrical appliances, including selecting electrical appliances with energy efficiency labels or with better energy efficiency, reducing the use of air conditioners according to seasonal and temperature changes and adjusting the temperature reasonably, keeping the doors closed when air conditioners are turned on, turning off the lights and air conditioners in meeting rooms when the meeting rooms are not in use, switching off office equipment, including computers, photocopiers, printers, air conditioners at night time and during weekends when they are not in use for further minimising the energy consumption in standby mode. The Group also focuses on keeping all electronic appliances well-maintained so as to extend the life of the equipment, and posting "energy-saving tip" at prominent position to promote energy conservation among employees.

   For the hotel business, the Group engaged a hotel management consultant (the "Operator") for the management and operation of hotel. The Operator is required to submit financial report to the management of the Group each month. The Group studies the electricity consumption trends and communicates with the Operator and takes timely remedial action for any abnormalities found.

   Town Gas Conservation

   Town gas is mainly used in water heaters in hotel. The Group focuses on the maintenance of water heaters so as to extend the life of the heater and improve energy efficiency. The Group also analyses town gas consumption trends based on the monthly financial information provided by the Operator so that remedial action can be taken timely for any abnormalities found.

   Petrol Conservation

   Petrol is mainly used in vehicles. The Group repairs and maintains vehicles regularly to improve energy efficiency, reduce extra fuel consumption and eliminate exhaust air emissions resulting from the wear-and-tear vehicle parts. Drivers plan the shortest routes and fastest way to reach the destination before using the vehicles in order to improve energy efficiency. They are mindful of switching off the engines while the vehicles are stationary to comply with the Motor Vehicle Idling (Fixed Penalty) Ordinance in Hong Kong to achieve fuel saving and avoid idling emissions.

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

2. ***Water Conservation***

Water consumed by the Group is mainly for drinking and sanitary in office and hotel. Water used for sanitary in office is supplied and managed by the external property management company. Water used for sanitary in hotel is mainly used by hotel guests and supplied by the government. Although the Group did not encounter any water supply problem during the Reporting Period, it recognises the scarcity of resources the environment could offer and always encourages employees to cherish water usage, such as reducing unnecessary water consumption in toilets and pantry by posting water-saving tips and repairing water supply facilities to reduce water wastage.

The Group monitors the water consumption level of the hotel business by analysing the monthly financial information provided by the Operator and takes remediation plan in a timely manner to conserve water.

3. ***Paper Conservation***

The Group actively promotes the green office policy by encouraging the staff to save and reduce paper wastage through various measures and to reduce reliance on paper-based documents. The Group also encourages employees to distribute files in electronic format and make photocopies and/or print documents on both sides of the papers so as to minimise unnecessary photocopying and printing. The Group also encourages employees to fully utilise papers by reusing one-side used papers and envelopes, collecting double-sided printed papers for recycling and tracking photocopier papers by electronic log. During the Reporting Period, the Group consumed approximately 0.71 tonnes of paper (2022: 0.77 tonnes).

The Environment and Natural Resources

The impact from the business operations of the Group on the environment and natural resources is relatively minor, but the Group, as a socially responsible enterprise, fully understands its responsibility for minimising the adverse impact that may arise in the course of operating its business. Resources consumption in the office and hotel mainly includes electricity, town gas, water, paper and fuel consumed by office vehicles. Hence, the Group focuses on environmental education and advocacy among employees. Various resources saving measures have been implemented to raise the employees' awareness of resources conservation. The Group also encourages employees to make full use of resources for maximising their effectiveness and avoiding wastage (please refer to the section headed "Management of Use of Resources" above for details).

Climate Change

Climate change is expected to worsen the frequency and severity of extreme weather events and cause catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena, increasing risk of heavy rains, rising tides and flooding that can cause serious damage to assets such as buildings, resulting in economic losses. In the long term, climate change may lead to the rise of sea level and long-term changes in climate patterns of chronic heat waves (persistent higher temperature, etc.). Climate change is a major concern of governments around the world. Governments may change the related policies, laws and regulations to deal with climate change. Therefore, the Group may also need to change internal policies and measures to comply with the relevant laws and regulations, which may increase operating costs. Understanding of these trends and the relationship with the businesses of the Group can help the Group to prepare, analyse possible risks and opportunities, seize the opportunities of potential benefits and establish the response capacity of the Group in the long run. The Group believes that a robust response to climate change requires concerted efforts of all stakeholders. Therefore, it will continuously identify and address stakeholders' expectations to optimise its environmental measures in order to achieve sustainable development and create long-term values for stakeholders and society as a whole.

EMPLOYMENT AND LABOUR PRACTICES

Employees are the core assets of the Group for establishing the Group's foundation of success and long-term development. The Group is committed to providing an equitable, non-discriminatory, harmonious, safe and diversified working environment with mutual respect, trust and teamwork to the employees. The Group encourages creativity, flexibility and commitment to accomplish its corporate mission.

The Group has strictly complied with the Employment Ordinance, the Employment of Children Regulations, the Employment of Young Persons (Industry) Regulations, the anti-discrimination ordinances, the Minimum Wage Ordinance, the Employees' Compensation Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Occupational Safety and Health Ordinance and other applicable laws and regulations in Hong Kong. The relevant information will be described in detail in the sections headed "Employment", "Health and Safety" and "Labour Standards" below.

Employment

The Group has established an internal management system which specifies the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

1. ***Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination***

   The Group advocates equal opportunity, diversity and anti-discrimination and selects talent from multiple sources. During the recruitment process, each department head of the Group determines the responsibilities and requirements of the job positions while the human resources department assesses and screens applicants according to the requirements. The appropriate candidates will be selected based on their educational background, working experience, knowledge, competence and skills, desirable personality traits, physical fitness and development potential. Impartial opportunities are provided for employment to all individuals, regardless of their ethnic group, religion, nationality, gender, age, marital status or disability. The policy applies to all phases of the employment relationship, including but not limited to hiring, promotion, performance appraisal, training, personal development and termination.

   As at 31 December 2023, the gender ratio of the workforce (including the senior management of the Company) of the Group comprised 52% male and 48% female. The Group believes that the gender ratio of the workforce is within the reasonable range. Currently two executive Directors who are male are regarded as senior management of the Company. The businesses of the Group are under their direct responsibility. The Group will review the effectiveness of the measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, it will continue to monitor the gender ratio and will aim at achieving a greater gender diversity when hiring all positions across the Group.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

1. ***Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination*** (continued)

In order to enhance the quality of work and employees' competency, the Group conducts periodic performance review and fairly assesses the level of awards, salary increment and/or promotion recommendations based on a number of criteria, including but not limited to working experience, seniority, knowledge and skills, performance, contributions, etc. During the performance appraisal process, the department head of the Group communicates clearly with team members about the organisational goals, develops plans for work and organises appropriate training programmes for developing employees' potential.

On the basis of job equality, the Group hopes to identify talents who are committed or dedicated to work, willing to take responsibility, willing to keep learning, continuously improving their abilities and willing to move forward with the Group.

As at 31 December 2023, the numbers and distributions of the employees of the Group are as follows:

	2023	2022
Gender		
Male	**11**	12
Female	**10**	12
Employment Type		
Full-time	**21**	24
Part-time	**–**	–
Age Group		
Under 45	**5**	8
46-60	**9**	8
Over 60	**7**	8
Geographical Region		
Mainland China	**–**	2
Hong Kong	**21**	22

Note:

As the ESG Report covering the business of the manufacture and sale of paint and coating products has been separately prepared by CPM Group Limited, the Group keeps minimal employees to maintain its operation as a holding company and business in property investment and hotel business.

The Group engaged the Operator to manage and run the daily operation of the hotel and the hospitality employees are contracted under the Operator. Therefore, the hotel employee headcount data is excluded from the above table.

During the Reporting Period, the average monthly employee turnover rates of the Group are as follows:

	2023	2022
Gender		
Male	**3.91%**	1.41%
Female	**8.13%**	2.88%
Age Group		
Under 45	**8.82%**	4.12%
46-60	**7.53%**	2.02%
Over 60	**2.22%**	–
Geographical Region		
Hong Kong	**5.98%**	2.33%

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

2. ***Compensation, Welfare and Other Benefits***

The Group attracts and retains outstanding talents with competitive remuneration packages and examines the salary level of employees regularly to ensure it is up to the market standards. The Group benchmarks up-to-date remuneration data in the industry and strives to establish a fair, reasonable and competitive remuneration scheme. Salary levels are determined for employees based on their knowledge, skills, experiences and educational background with reference to the work requirements. Basic remuneration and benefits of employees include basic salary, paid holidays, etc. Other benefits include medical insurance, dental subsidy, festival red packets, maternity subsidy, messing allowance, etc.

The Group has established proper dismissal and retirement policies. Social security benefits are provided to all employees. The employees participate in the Mandatory Provident Fund Scheme. The Group also compensates the dismissed employees in accordance with the applicable laws and regulations.

3. ***Working Hours and Rest Periods***

The Group cares about employees' health and establishes policy and procedures with the concept of work-life balance. The Group adopts a five-day workweek to allow its employees to spend more time with their families and participate in social activities. The Group observes the requirements under the applicable laws and regulations to protect employees' rights of rest days and holidays. All employees of the Group are entitled to rest days and holidays, such as annual leaves, sick leaves, maternity leaves and paternity leaves.

Health and Safety

As the operations of the Group are mainly executed in an office setting while no labour intensive work is involved and the occupational health and safety risks are relatively low. However, the Group still recognises that one of its core values is to protect and promote the health, workplace safety and well-being of the individual in the working environment. Although the hotel is managed and operated by the employees of the Operator, the Group is still concerned the hotel occupational health and workplace safety. The Group constantly communicates with the Operator about the risks of occupational injuries, safety hazards and diseases among the hospitality employees and the measures to minimise such risks. The Group has been continuously taking occupational health and workplace safety as its priority and creates a comfortable and hassle-free environment for its employees and the employees of the Operator.

The Group adopts a comprehensive preventive approach to staff health and workplace safety, including illness and injury prevention. The Group has clear evacuation procedures to enable employees to take practical and immediate action in case of a fire accident. All employees of the Group take part to give unconditional support to build and maintain a healthy and smoke-free working environment. Smoking is absolutely prohibited in the office areas, toilets, staircase and the hotel.

There was no work-related fatality occurred in each of the past three years including the Reporting Period. There was also no lost day due to work injury during the Reporting Period.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Development and Training

An excellent corporate team is vital to the sustainable and the long-term business development of the Group. Therefore, the Group establishes a long-term talents development training strategy and encourages staff to continue their study and lifelong learning. Continuous training enhances the professional knowledge and skills of employees and provides reasonable assurance that the employees have sufficient technical knowledge, professional skills and ethics to perform duties efficiently and impartially. On-the-job training is provided to new employees. Besides, the human resources department works together with the supervisors of each department to provide new employees with the introduction of the organisational structure, corporate culture, rules and regulations, industry knowledge and job responsibilities. The latest industry information and related legislation updates in connection with the operations of the Group are dispatched to the staff from time to time. In general, employees have met the requirements and possessed the professional qualifications required by the Group before employment. In addition to the trainings provided by the Group, Directors and financial staff also arranged trainings themselves and the Group keeps record of these training activities. During the Reporting Period, the human resources department organised trainings on mandatory provident fund for employees. The Group also encourages employees to participate in external trainings and seminars over various topics, such as human resources system, ESG reporting, annual corporate and regulatory updates according to their work needs during the Reporting Period. As the hospitality employees are employed by the Operator, their trainings are provided by the Operator.

During the Reporting Period, the percentages of the employees of the Group trained[1] are as follows:

	2023	2022
Gender		
Male	**56.25%**	78.57%
Female	**60.00%**	81.25%
Employee Category		
Senior Management	**–**	66.67%
Middle Management	**50.00%**	71.43%
Ordinary Staff	**64.29%**	85.00%

During the Reporting Period, the average training hours[2] completed per employee of the Group are as follows:

	2023	2022
Gender		
Male	**0.75**	0.79
Female	**1.58**	1.00
Employee Category		
Senior Management[3]	**–**	0.67
Middle Management	**4.25**	0.86
Ordinary Staff	**0.64**	0.95

Notes:

1 The percentage of the employees of the Group trained refers to the number of the Group's employees trained within the Reporting Period divided by the sum of the total number of the employees of the Group at the end of the Reporting Period and the total number of departing employees of the Group within the Reporting Period.

2 The average training hours refer to the number of training hours provided by the Group to the employees within the Reporting Period divided by the sum of the total number of the employees of the Group at the end of the Reporting Period and the total number of departing employees of the Group within the Reporting Period.

3 The Group encourages the employees to enhance their knowledge by reading training materials on their own, such training hours are not recorded by the Group and thus not reflected in the training data above.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Labour Standards

The Group cherishes human rights, prohibits any unethical hiring practices and does not allow hiring child labour and forced labour. The human resources department conducts background checks and reference checks during the hiring process to prevent child labour. Besides, the Group has also implemented various measures to strictly prevent any forms of forced labour. For example, detention of employee's identity card or other identification documents is strictly prohibited, labour contract is signed by the employee on a fair and voluntary basis, any form of physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work. Also, the employees are compensated as appropriate in accordance with the applicable labour laws and regulations.

Although the hospitality employees are contracted under the Operator, the Group also attaches importance to the compliance of the labour standards. The Group constantly communicates with the Operator about the risk of non-compliance and any non-compliance cases.

Compliance

During the Reporting Period, the Group did not involve in any non-compliance incidents relating to employment, health and safety and labour standards relating to preventing child and forced labour that has a significant impact on the Group.

OPERATING PRACTICES

Supply Chain Management

The Group conveys its concern on environmental issues and expects its suppliers and business partners to implement the similar practices. The Group also serves to maintain long-term, stable and strategic co-operative relationships with leading suppliers and co-develops with its suppliers based on equality to achieve a win-win situation. In order to establish an effective, efficient and green supply chain system, the Group selects suppliers and service providers with good credit history, reputation, high-quality product or service, proven track records of environmental compliance and sound commitment to social responsibility. The Group conducts regular performance reviews of its suppliers and service providers with an aim to control its product and service quality effectively. During the Reporting Period, the Group has 10 suppliers located in Hong Kong for the hotel business. There was no major supplier for property investment business due to business nature.

Service Responsibility

1. Property Investment

Tenants' satisfaction is vital to the sustainable development and the long-term business growth of the Group. The Group is dedicated to providing high-quality and professional services with the highest degree of integrity to its tenants and the Group always seeks to exceed its customers' expectations. The Group has formulated policies and procedures in achieving this aim. The Group also values opinions from its tenants and offers proactive customer service.

OPERATING PRACTICES (continued)

Service Responsibility (continued)

2. ***Hotel Business***

   Hotel guests' satisfaction is crucial to the sustainable development and the long-term business growth of the Group. The Group engaged experienced Operator to manage and run the daily operation of the hotel. The Operator is committed to providing the hotel guests with good services. The Group and the Operator communicate closely so as to ensure that the Operator has complied and will continue to comply with the expected supplier management standard and has resolved and will continue to resolve any issues encountered in the daily operation.

Customer Data Protection and Privacy Policies

Confidentiality is one of the Group's core values. The Group handles personal data of customers and tenants with integrity in accordance with the requirements under the Personal Data (Privacy) Ordinance and other applicable laws and regulations in Hong Kong. For any confidential information obtained through business relationships, all employees are strictly prohibited from disclosing any information to third parties without specific prior authority unless there is a legal or professional right or duty to do so. Employees are subject to disciplinary punishment in case of violation.

For the hotel business, the personal data of the hotel guests are stored in purchased software with access control. The Group sets up adequate IT access control such as physical access control, anti-virus software, firewall, etc. and formulates measures to prevent data leakage and the hacking of the information system.

Maintenance and Protection of Intellectual Property Rights

The Group respects intellectual property rights. Employees are not allowed to possess or use copyrighted material without the permission from the copyright owners.

Complaints from Tenants or Hotel Guests

The complaints from hotel guests are handled by the Operator. The Group constantly communicates with the Operator for any complaints received and the related handling procedures.

During the Reporting Period, the Group has not received any service-related complaints from the customers, tenants or hotel guests.

Compliance

During the Reporting Period, there was no violation or non-compliance incident relating to service responsibility that had a significant impact on the Group nor any complaints concerning breaches of tenant or hotel guest privacy, loss of data and intellectual property rights.

OPERATING PRACTICES (continued)

Anti-corruption

Maintaining an ethical working environment is one of the Group's core values. The Group has adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. To comply with the Prevention of Bribery Ordinance enforced by the Hong Kong Independent Commission Against Corruption and other applicable laws and regulations in Hong Kong, the Group has established and implemented different policies and procedures, employees' handbook and job instructions to require Directors, management and staff to demonstrate integrity, conduct business with high integrity and follow the requirements in business ethics and culture in order to avoid bribery. Employees who violate the rules are severely penalised. Besides, the Group has established and implemented a whistle-blowing channel to ensure that the whistleblower can report incidences, such as abuse of power for personal gains, briberies, blackmailing, fraud and money laundering, in strict confidence. The Group is dedicated to anti-corruption and determinant in combating corruption and contributing to build a clean society.

During the Reporting Period, there was no legal action against the Group and its employees relating to corruption.

COMMUNITY

Community Investment

The Group believes in shouldering the responsibility of contributing to society. As a responsible corporation, the Group pays tax in accordance with applicable laws and regulations and spares no effort in easing local employment pressure. The Group helps employees to prepare and plan for their retirement by paying the Mandatory Provident Fund Scheme for the employees as retirement benefits. The Group runs its business with good practices, actively promotes green energy-saving and environmental-friendly concepts and achieves a good development order. To a certain extent, the Group has made contributions to social stability and the building of a harmonious community.

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	Notes	2023			2022		
			Hotel Business	Property investment[5]	Total	Hotel Business	Trading of iron and steel products and related investments and property investment	Total
Greenhouse Gas Emissions:								
Scope 1:		1						
Total	Tonnes		–	15.30	15.30	–	5.93	5.93
Intensity	Tonnes	4			0.73			0.28
Scope 2:		2						
Total	Tonnes		442.20	1.98	444.18	402.89	1.95	404.84
Intensity	Tonnes	4			21.15			19.28
Air Emissions:								
Nitrogen Oxides	Kilograms		–	2.95	2.95	–	2.63	2.63
Sulfur Oxides	Kilograms		–	0.08	0.08	–	0.03	0.03
Particulate Matters	Kilograms		–	0.22	0.22	–	0.19	0.19
Energy and Water Consumption:								
Electricity:								
Total	Megawatt hours		639.34	2.91	642.25	558.07	2.75	560.82
Intensity	Megawatt hours	4			30.58			26.71
Town Gas:								
Total	Megajoules		620,448.00	–	620,448.00	543,648.00	–	543,648.00
Intensity	Megajoules	4			29,545.14			25,888.00
Petrol:								
Total	Tonnes		–	4.17	4.17	–	1.61	1.61
Intensity	Tonnes	4			0.20			0.08
Water:								
Total	Cubic meters	3	3,248.00	–	3,248.00	1,927.00	–	1,927.00
Intensity	Cubic meters	4			154.67			91.76

Notes:

1 Scope 1 greenhouse gas and air emissions refer to the direct greenhouse gas and air emissions from the business of the Group, including combustion of petrol. The economy has been gradually recovering after the cancellation of the compulsory COVID-19 prevention measures since early 2023, and the business activities of the Group resume to normal. Therefore, the Group estimates the petrol consumption and the respective scope 1 greenhouse gas emission to increase by 150% when compared to 2022. The results are close to the estimation of the Group.

2 Scope 2 greenhouse gas emission refers to the indirect greenhouse gas emission from the business of the Group, including the consumption of purchased electricity and town gas. The hotel business was commenced in 2022 and the economy has been gradually recovering after the cancellation of the compulsory COVID-19 preventive measures since early 2023. Therefore, the Group estimates the electricity consumption, town gas consumption and the respective scope 2 greenhouse gas emissions to increase by 15%, 5% and 10% respectively when compared to 2022. The results are close to the estimation of the Group.

3 The water consumption of property investment mainly comes from its leased office. No record of water consumption by the Group's leased unit is available from the property management company.

The hotel business was commenced in 2022 and the economy has been gradually recovering after the cancellation of the compulsory COVID-19 preventive measures since early 2023. Therefore, the Group estimates the water consumption of hotel business to increase by 30% when compared to 2022. The result is close to the estimation of the Group.

4 The intensity of greenhouse gas emissions and energy and water consumption is calculated in terms of the average number of employees of the companies located in Hong Kong during the Reporting Period.

The Group engaged the Operator to manage and operate the hotel business. The hospitality employees are the employees of the Operator which did not provide the headcount data, and hence the intensity is calculated for the Group and is based on the employees of the Group only, instead of each business segment.

5 The Group ceased the trading of iron and steel business during the Reporting Period.

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs		PAGE
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KPI A1.1	The types of emissions and respective emissions data.	53
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	53
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[1]
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[1]
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	43, 53
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	N/A[1]
ASPECT A2	**USE OF RESOURCES**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	44-45
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	53
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	53
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	44
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	45
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A[1]

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE (continued)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs		PAGE
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ASPECT A3	**THE ENVIRONMENT AND NATURAL RESOURCES**	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	45
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	45
ASPECT A4	**CLIMATE CHANGE**	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	45
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	45
	B. SOCIAL	
EMPLOYMENT AND LABOUR PRACTICES		
ASPECT B1	**EMPLOYMENT**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	46-48
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	47
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	47
ASPECT B2	**HEALTH AND SAFETY**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	48
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	48
KPI B2.2	Lost days due to work injury.	48
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	48

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SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs		PAGE
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ASPECT B3	**DEVELOPMENT AND TRAINING**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	49
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	49
KPI B3.2	The average training hours completed per employee by gender and employee category.	49
ASPECT B4	**LABOUR STANDARDS**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	50
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	50
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ASPECT B5	**SUPPLY CHAIN MANAGEMENT**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	50
KPI B5.1	Number of suppliers by geographical region.	50
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	50
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	50
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	50

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ASPECT B6	**SERVICE RESPONSIBILITY**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	50-51
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A[1]
KPI B6.2	Number of service related complaints received and how they are dealt with.	51
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	51
KPI B6.4	Description of quality assurance process and recall procedures.	50-51
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	51
ASPECT B7	**ANTI-CORRUPTION**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	52
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COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE (continued)

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B. SOCIAL (continued)		
COMMUNITY		
ASPECT B8	**COMMUNITY INVESTMENT**	
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Note:

1 The ESG Report mainly covers the business in property investment and hotel business of the Group which do not involve any production process and hence no packaging material has been used by the Group in the operation. The business in property investment mainly operates in office, therefore the non-hazardous wastes are mainly domestic garbage and waste paper. The non-hazardous wastes generated in hotel business are mainly commercial waste from the hotel rooms. Currently, the Group does not conduct statistics on this area but the Group will continue to optimise its waste management.

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint products, property investment (including the investment properties for rental income potential or for sale, and the proposed elderly caring centre development in Hong Kong), hotel business and investment holding activities. Details of the activities of the principal subsidiaries and associates are set out in notes 1 and 17 to the financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 24 of this annual report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the financial statements on pages 79 to 181.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: HK2.0 cents per share).

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 23% of the total purchases for the year and purchases from the largest supplier included therein amounted to 6%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		
RESULTS					
Revenue	**495,654**	665,591	885,473	781,508	807,923
Operating profit/(loss)	**(87,996)**	(122,179)	(36,271)	(94,923)	230,650
Share of profits and losses of associates, net	**1,668**	1,724	1,745	1,275	(1,931)
Profit/(loss) before tax	**(86,328)**	(120,455)	(34,526)	(93,648)	228,719
Income tax credit/(expenses)	**1,108**	1,466	(902)	(3,228)	(816)
Profit/(loss) for the year	**(85,220)**	(118,989)	(35,428)	(96,876)	227,903
ATTRIBUTABLE TO:					
Owners of the parent	**(68,579)**	(94,081)	(20,633)	(94,242)	234,793
Non-controlling interests	**(16,641)**	(24,908)	(14,795)	(2,634)	(6,890)
	(85,220)	(118,989)	(35,428)	(96,876)	227,903

	At 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,955,433**	2,301,507	2,441,214	2,396,207	2,298,363
Total liabilities	**(511,373)**	(714,334)	(759,282)	(663,078)	(511,563)
Non-controlling interests	**(120,761)**	(136,604)	(135,934)	(148,457)	(135,732)
	1,323,299	1,450,569	1,545,998	1,584,672	1,651,068

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on page 182 to 185.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 186.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefore are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2023, calculated under The Companies Act, amount to HK$433,116,000. In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$114,000.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors

Tsui Yam Tong, Terry
Chong Chi Kwan

Non-executive Directors

Tsui Ho Chuen, Philip
Zhang Yulin

Independent Non-executive Directors

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

In accordance with the Bye-laws, Mr. Chong Chi Kwan, Mr. Huang De Rui and Mr. Zhang Xiaojing will retire from office by rotation at the forthcoming AGM. Mr. Zhang Xiaojing has informed the Board that he will not offer himself for re-election and will retire after conclusion of the forthcoming AGM. Save for Mr. Zhang, all the aforesaid retiring Directors, being eligible, will offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Tsui Yam Tong, Terry	78	Chairman	36	More than 51 years' experience in administration and management
Chong Chi Kwan	56	Managing Director	18	More than 32 years' experience in auditing, finance, accounting and management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Tsui Ho Chuen, Philip	60	Non-executive Director	39	Qualified solicitor and more than 39 years' experience in the paint and coating industry
Zhang Yulin	60	Non-executive Director	17	More than 27 years' experience in finance and management
Independent Non-executive Directors				
Ko Kwok Fai, Dennis	58	Independent Non-executive Director	4	More than 32 years' experience in management and accounting
Huang De Rui	78	Independent Non-executive Director	20	More than 49 years' experience in finance, accounting and management
Zhang Xiaojing	69	Independent Non-executive Director	11	More than 41 years' experience in engineering and management
Lin Yingru	65	Independent Non-executive Director	5	More than 32 years' experience in aviation and business management
Cheng Wai Po, Samuel	64	Independent Non-executive Director	4	More than 27 years' experience in the public transport industry

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management

The businesses of the Group are under the direct responsibility of two executive Directors, namely, Mr. Tsui Yam Tong, Terry and Mr. Chong Chi Kwan, who are regarded as the senior management of the Company.

Notes:

(1) Mr. Tsui Yam Tong, Terry is the uncle of Mr. Tsui Ho Chuen, Philip.

(2) Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited, a substantial shareholder of the Company. He is also an executive director, the chairman and the managing director of CPM and is the nephew of Mr. Tsui Yam Tong, Terry.

(3) Mr. Chong Chi Kwan is a non-executive director of CPM.

(4) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited, which is interested in 5.15% of the total number of Shares in issue of the Company.

CHANGE IN DIRECTORS' INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules except the changes in the Directors' remuneration which are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There was no transaction, arrangement or contract of significance in relation to the Company's businesses subsisting during or at the end of this financial year in which the Company, its holding company, any of its subsidiaries or fellow subsidiaries, and in which a Director or an entity connected with a Director is or was materially interested either directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors has any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors are determined by the Remuneration Committee and the remuneration of the non-executive Directors are determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" below, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Bye-laws, the Directors, the Company Secretary and other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which they or any of them may sustain or incur in or about the execution of their duties in their respective offices, or in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, the Company Secretary and other officers of the Company throughout the year.

EQUITY-LINKED AGREEMENTS

There was no equity-linked agreement that has been entered into by the Company in this financial year. Nor was there any equity-linked agreement entered into by the Company in the past which still subsisted in this financial year, save as disclosed in the section headed "Share Options" below.

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

The Company

As at 31 December 2023, the interests of the Directors in the Shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

		Number of Shares					
Name	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the total number of Shares in issue
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	555,409,226 (Note)	–	555,409,226	29.17%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	–	–	–	503,374	0.02%

Note: The 555,409,226 Shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

CPM

The share options granted by CPM under the CPM Scheme to each of Mr. Tsui Ho Chuen, Philip, being an executive director of CPM and Mr. Chong Chi Kwan, being a non-executive director of CPM are set out below:

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

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTIONS

Share Option Scheme of the Company

The Company's existing Share Option Scheme was adopted on 2 June 2022. Its key terms are summarised below:

(i) The purpose of the Share Option Scheme is to provide the eligible participants with an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of the executives of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(ii) The eligible participants of the Share Option Scheme include any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any Invested Entity, including any executive director of the Company or any of its subsidiaries or any Invested Entity; and any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity.

(iii) The total number of Shares available for issue under the Share Option Scheme is 190,368,569 which represents 10% of the total number of Shares in issue as at the date of this report.

(iv) The maximum number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company or its subsidiaries (including both exercised and outstanding options) and such Shares which were subsequently cancelled, to each eligible participant in any 12-month period up to the date of offer shall not exceed 1% of the number of Shares in issue as at the date of offer. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting.

(v) A share option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted.

(vi) Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vii) The amount payable by the grantee(s) to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(viii) The exercise price in relation to each share option offered to an eligible participant shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of: (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (b) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the Share.

SHARE OPTIONS (continued)

Share Option Scheme of the Company (continued)

(ix) Any offer under the Share Option Scheme must be accepted by the relevant eligible participant not later than 21 days after the offer date or such longer or shorter period as the Board may specify from and inclusive of the offer date.

(x) The Share Option Scheme remains in force until 1 June 2032.

No share option has so far been granted under the Share Option Scheme since its adoption. As at 1 January 2023 and 31 December 2023, the number of share options available for grant under the Share Option Scheme was 190,368,569 respectively, representing 10% of the issued share capital of the Company. There was no service provider sublimit set under the Share Option Scheme.

Share Option Scheme of CPM

The CPM Scheme was adopted on 4 June 2020. Its key terms are summarised below:

(i) The purpose of the CPM Scheme is to provide the eligible participants an opportunity to have a personal stake in CPM and help motivate them to optimise their future performance and efficiency to the CPM Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the CPM Group, and additionally in the case of the executives of CPM, to enable the CPM Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(ii) The eligible participants of the CPM Scheme include any employee or proposed employee (whether full time or part time) of CPM, any of its subsidiaries or any CPM Invested Entity, including any executive director of CPM or any of its subsidiaries or any CPM Invested Entity; any non-executive directors (including independent non-executive directors) of CPM or any of its subsidiaries or any CPM Invested Entity; any supplier of goods or services to any member of the CPM Group or any CPM Invested Entity; any customer of the CPM Group or any CPM Invested Entity; and any person or entity that provides research, development or other technological support to the CPM Group or any CPM Invested Entity.

(iii) The total number of CPM Shares available for issue under the CPM Scheme is 100,000,000 which represents 10% of the total number of CPM Shares in issue as at the date of this report.

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

(v) A share option may be exercised in accordance with the terms of the CPM Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which the share option may be exercised will be determined by the CPM Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted.

SHARE OPTIONS (continued)

Share Option Scheme of CPM (continued)

(vi) Save as determined by the CPM Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vii) The amount payable by the grantee(s) to CPM on acceptance of the offer for the grant of a share option is HK$1.00.

(viii) The exercise price in relation to each share option offered to an eligible participant shall be determined by the CPM Board in its absolute discretion but in any event shall not be less than the highest of: (a) the closing price of the CPM Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (b) the average closing price of the CPM Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the CPM Share.

(ix) Any offer for the grant of the share options must be accepted by the relevant eligible participant not later than 21 days after the offer date or such longer or shorter period as the CPM Board may specify from and inclusive of the offer date.

(x) The CPM Scheme remains in force until 3 June 2030.

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

				Number of share options				
Name	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2023
Executive director of CPM								
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Executive director of CPM								
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Non-executive director of CPM								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Employees of the CPM Group	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	–	–	–	50,000,000
				80,000,000	–	–	–	80,000,000

SHARE OPTIONS (continued)

Share Option Scheme of CPM (continued)

Notes:

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

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

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

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

(d) 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025; and

(e) the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026.

(2) The closing price of the shares of CPM on 14 June 2022, being the date immediately before the date on which the above share options were granted under the CPM Scheme, was HK$0.335.

(3) The number of share options available for grant under the CPM Scheme as at 1 January 2023 and 31 December 2023 were 20,000,000 respectively.

(4) There was no service provider sublimit set under the CPM Scheme.

(5) There is no performance target attached with the share options.

(6) During the year ended 31 December 2023, no share options were granted under the CPM Scheme. The number of CPM Shares that may be issued in respect of share options granted under the CPM Scheme during the year ended 31 December 2023 divided by the weighted average number of CPM Shares in issue for the year ended 31 December 2023 was 8%.

(7) The remuneration committee of CPM considered that the share options granted on 15 June 2022 was to reward eligible participants who had contributed to the business development of CPM Group and to encourage eligible participants to work towards enhancing the value of CPM and for the benefit of CPM and its shareholder as a whole. The remuneration committee of CPM also considered that the grantees were eligible participants under the CPM Scheme who would contribute directly to the overall business performance and sustainable development of CPM Group, the granting of share options to the grantees was a recognition for their past contributions to CPM Group and the share options were subject to the terms of the CPM Scheme which provided for circumstances under which the share options may lapse.

(8) Details of the value of the share options granted under the CPM Scheme are set out in note 31 to the financial statements.

(9) Other than the share options stated above, no share options had been granted by CPM to other participants pursuant to the CPM Scheme. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2023.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2023, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the Directors) had interests in the Shares and underlying shares of the Company:

Name	Notes	**Capacity**	**Number of Shares**	**Number of underlying shares** (unlisted and physically settled equity derivative)	**Percentage of the total number of Shares in issue**
10% or more of the total Shares in issue					
Prime Surplus Limited	1	Beneficial owner	555,409,226	–	29.17%
Ho Mei Po, Mabel	2	Interest of spouse	555,409,226	–	29.17%
Chinaculture.com Limited	3	Beneficial owner	368,363,181	–	19.35%
Chuang's China Investments Limited	3	Interest of controlled corporation	368,363,181	–	19.35%
Profit Stability Investments Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chuang's Consortium International Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Evergain Holdings Limited	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	368,363,181	–	19.35%
Chong Ho Pik Yu	3	Interest of spouse	368,363,181	–	19.35%
Below 10% of the total Shares in issue					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

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

Notes:

(1) The 555,409,226 Shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 555,409,226 Shares in which her spouse was interested under the SFO.

(3) The shareholding of 19.35% was based on the disclosure in the interim report of Chuang's Consortium International Limited for the six months ended 30 September 2023. The number of Shares is based on the shareholding percentage and the total number of Shares in issue of the Company as of 31 December 2023. The Company has not been informed on any change in the number of Shares held by Chuang's Consortium International Limited.

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

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

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

(4) These Shares were beneficially owned by Broadsino Investment Company Limited. Pursuant to an option granted by Rapid Growth Ltd., Broadsino Investment Company Limited has a right to sell all or part of these Shares to Rapid Growth Ltd. exercisable at any time during the term of the option.

(5) The references to the interests in 98,000,000 underlying shares of the Company relate to the same block of 98,000,000 underlying shares of the Company interested by Rapid Growth Ltd. by virtue of an option granted by Rapid Growth Ltd. to Broadsino Investment Company Limited as disclosed in note (4) above.

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

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

Save as disclosed above, the Company has not been notified by any person (other than the Directors) who had interests or short positions in the Shares or underlying shares of the Company as at 31 December 2023 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information and within the Directors' knowledge, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this report.

AUDITORS

Ernst & Young retires and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
CNT Group Limited

Tsui Yam Tong, Terry
Chairman
Hong Kong, 27 March 2024

Independent Auditor's Report

EY 安永

To the shareholders of CNT Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 181, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECLs") for trade receivables	
As at 31 December 2023, the Group recorded gross trade receivables of HK$249.5 million and the loss allowance amounted to HK$92.6 million. Significant management judgement and estimation were required in assessing the ECLs for the trade receivables from the paint business and the iron and steel business, with reference to the grouping of various customer segments, ageing profile of the trade receivable balances, and past repayment history of customers and forecast economic conditions. Disclosures in relation to trade receivables are included in notes 3 and 21 to the consolidated financial statements.	Our audit procedures included understanding and assessing the Group's policy on determining the loss allowance in accordance with the requirements of HKFRS 9, including an evaluation of management judgements on (i) the level of disaggregation of customer groups for collective assessment; and (ii) the use of available credit risk information, including historical, probability of default and forward-looking information. We have reviewed management's assumptions used to determine the ECLs through testing of the underlying information on the ageing reports generated by the Group's financial reporting system and assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information. Our internal valuation experts were also involved to assist us in evaluating the assumptions used for the ECLs assessment and key parameter adopted by the valuer. We also assessed the related disclosures in the consolidated financial statements.
Fair value of investment properties	
As at 31 December 2023, investment properties measured at fair values amounted to approximately HK$772.9 million, with a corresponding net fair value losses of HK$30.6 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties. Disclosures in relation to investment properties are included in notes 3 and 14 to the consolidated financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competence of the valuers. We have assessed the valuation methodologies adopted and the assumptions used by the valuers, and performed market value benchmarking against comparable properties. Our internal valuation experts were also involved to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group. We also assessed the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yat Kin.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	5	**495,654**	665,591
Cost of sales		**(321,070)**	(509,429)
Gross profit		**174,584**	156,162
Other income and gains, net	5	**14,120**	44,446
Selling and distribution expenses		**(61,446)**	(89,567)
Administrative expenses		**(111,358)**	(148,716)
Other expenses, net		**(60,773)**	(60,841)
Fair value losses on investment properties, net	14	**(30,561)**	(15,391)
Finance costs	7	**(12,562)**	(8,272)
Share of profits and losses of an associate		**1,668**	1,724
LOSS BEFORE TAX	6	**(86,328)**	(120,455)
Income tax credit	10	**1,108**	1,466
LOSS FOR THE YEAR		**(85,220)**	(118,989)
ATTRIBUTABLE TO:			
Owners of the parent		**(68,579)**	(94,081)
Non-controlling interests		**(16,641)**	(24,908)
		(85,220)	(118,989)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK(3.60) cents**	HK(4.94) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR		**(85,220)**	(118,989)
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		**(29,580)**	(67,480)
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		**(8,093)**	(5,883)
Gain on property revaluation	13	**21,273**	154,698
Income tax effect	28	**(5,101)**	(23,204)
		16,172	131,494
Remeasurement of net pension scheme assets		**–**	(1,438)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**8,079**	124,173
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(21,501)**	56,693
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(106,721)**	(62,296)
ATTRIBUTABLE TO:			
Owners of the parent		**(89,196)**	(57,356)
Non-controlling interests		**(17,525)**	(4,940)
		(106,721)	(62,296)

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**425,520**	471,004
Investment properties	14	**772,933**	729,079
Property under development	15	**28,000**	28,000
Right-of-use assets	16(a)	**51,811**	97,975
Interest in an associate	17	**2,572**	2,707
Equity investments designated at fair value through other comprehensive income	18	**34,011**	42,104
Deposits for purchases of property, plant and equipment	19	**4,185**	4,308
Deposits and prepayments	22	**764**	500
Deferred tax assets	28	**19,715**	15,542
Total non-current assets		**1,339,511**	1,391,219
CURRENT ASSETS			
Inventories	20	**27,353**	43,124
Trade and bills receivables	21	**173,707**	370,601
Prepayments, deposits and other receivables	22	**55,476**	67,080
Financial assets at fair value through profit or loss	23	**–**	407
Pledged deposits	24	**98,994**	42,202
Cash and cash equivalents	24	**260,392**	386,874
Total current assets		**615,922**	910,288
CURRENT LIABILITIES			
Trade and bills payables	25	**195,523**	260,778
Other payables and accruals	26	**60,976**	86,184
Due to an associate	17	**2,800**	2,800
Interest-bearing bank borrowings	27	**171,450**	289,116
Lease liabilities	16(b)	**3,579**	3,571
Tax payable		**11,299**	10,796
Total current liabilities		**445,627**	653,245
NET CURRENT ASSETS		**170,295**	257,043
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,509,806**	1,648,262

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	**3,867**	5,213
Deferred tax liabilities	28	**56,363**	51,576
Deferred income	29	**335**	635
Deposits received	26	**5,181**	3,665
Total non-current liabilities		**65,746**	61,089
Net assets		**1,444,060**	1,587,173
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**190,369**	190,369
Reserves	32	**1,132,930**	1,260,200
		1,323,299	1,450,569
Non-controlling interests	33	**120,761**	136,604
Total equity		**1,444,060**	1,587,173

Tsui Yam Tong, Terry
Director

Chong Chi Kwan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent											
	Issued share capital HK$'000 (note 30)	Share premium account HK$'000	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Reserve funds* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	190,369	88,970	182,167	61,049	7,523	24,391	(178,392)	22,603	1,147,318	1,545,998	135,934	1,681,932
Loss for the year	–	–	–	–	–	–	–	–	(94,081)	(94,081)	(24,908)	(118,989)
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	(54,933)	–	–	–	(54,933)	(12,547)	(67,480)
Changes in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	(5,883)	–	–	(5,883)	–	(5,883)
Gain on property revaluation, net of tax	–	–	–	98,620	–	–	–	–	–	98,620	32,874	131,494
Remeasurement of net pension scheme assets	–	–	–	–	–	–	–	–	(1,079)	(1,079)	(359)	(1,438)
Total comprehensive income/(loss) for the year	–	–	–	98,620	–	(54,933)	(5,883)	–	(95,160)	(57,356)	(4,940)	(62,296)
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	–	–	5,610	5,610
Final 2021 dividend declared and paid	–	–	(38,073)	–	–	–	–	–	–	(38,073)	–	(38,073)
At 31 December 2022	190,369	88,970#	144,094#	159,669#	7,523#	(30,542)#	(184,275)#	22,603#	1,052,158#	1,450,569	136,604	1,587,173

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent											
	Issued share capital HK$'000 (note 30)	Share premium account HK$'000	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Reserve funds* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	190,369	88,970	144,094	159,669	7,523	(30,542)	(184,275)	22,603	1,052,158	1,450,569	136,604	1,587,173
Loss for the year	-	-	-	-	-	-	-	-	(68,579)	(68,579)	(16,641)	(85,220)
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(23,734)	-	-	-	(23,734)	(5,846)	(29,580)
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	(8,093)	-	-	(8,093)	-	(8,093)
Gain on property revaluation, net of tax	-	-	-	11,210	-	-	-	-	-	11,210	4,962	16,172
Total comprehensive income/(loss) for the year	-	-	-	11,210	-	(23,734)	(8,093)	-	(68,579)	(89,196)	(17,525)	(106,721)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	1,682	1,682
Final 2022 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	(38,074)	-	(38,074)
At 31 December 2023	190,369	88,970#	106,020#	170,879#	7,523#	(54,276)#	(192,368)#	22,603#	983,579#	1,323,299	120,761	1,444,060

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

These reserve accounts comprise the consolidated reserves of HK$1,132,930,000 (2022: HK$1,260,200,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(86,328)**	(120,455)
Adjustments for:			
Finance costs	7	**12,562**	8,272
Share of profits and losses of an associate		**(1,668)**	(1,724)
Bank interest income	5	**(6,362)**	(4,751)
Depreciation of property, plant and equipment	6	**21,905**	29,752
Depreciation of right-of-use assets	6	**6,646**	7,793
Recognition of deferred income	5	**(284)**	(299)
Gain on disposal of items of property, plant and equipment, net	6	**(553)**	(537)
Loss on termination of lease	16	**9**	–
Write-off of items of property, plant and equipment	6	**54**	1,354
Fair value losses on investment properties, net	6	**30,561**	15,391
Dividend income from equity investments designated at fair value through profit or loss	5	**(8)**	(179)
Fair value losses on financial assets at fair value through profit or loss held for trading, net	5	**3**	339
Net losses on dealings in financial assets at fair value through profit or loss held for trading	5	**154**	1,112
Provision for impairment of trade and bills receivables, net	6	**49,154**	15,020
Trade receivables written-off as uncollectible	6	**–**	522
(Reversal of)/provision for impairment of property, plant and equipment	6	**(927)**	1,855
(Reversal of)/provision for impairment of right-of-use assets	6	**(3,710)**	6,145
Reversal of provision of inventories to net realisable value, net	6	**(36)**	(950)
Loss on revaluation of property, plant and equipment	6	**26**	–
Loss on revaluation of right-of-use assets	6	**1,778**	–
Equity-settled share option expenses	31	**1,682**	5,610
Net pension benefit expenses	6	**–**	1
		24,658	(35,729)
Decrease in inventories		**14,988**	34,774
Decrease in trade and bills receivables		**139,067**	33,402
Decrease in prepayments, deposits and other receivables		**10,622**	9,805
Decrease in financial assets at fair value through profit or loss		**250**	4,560
Decrease in trade and bills payables		**(58,870)**	(66,490)
Increase/(decrease) in other payables and accruals and deposits received		**(23,043)**	9,208
Exchange realignment		**(3,619)**	813
Cash generated from/(used in) operations		**104,053**	(9,657)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash generated from/(used in) operations		**104,053**	(9,657)
Interest paid		**(12,406)**	(7,429)
Interest element of lease payments		**(462)**	(328)
Overseas taxes paid		**(1,552)**	(28)
Net cash flows from/(used in) operating activities		**89,633**	(17,442)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,997)**	(6,713)
Purchases of right-of-use assets		**–**	(10,977)
Proceeds from disposal of items of property, plant and equipment		**1,417**	647
Disposal of pension scheme assets		**–**	4,109
Interest received		**5,385**	4,095
Dividend received from an associate		**1,803**	1,739
Dividend received from equity investments designated at fair value through profit or loss		**8**	179
Deposits paid for purchases of property, plant and equipment and right-of-use assets	19	**–**	(5,465)
Increase in pledged time deposits with original maturity of more than three months when acquired		**(57,997)**	(3,294)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(25,200)**	–
Net cash flows used in investing activities		**(78,581)**	(15,680)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**319,916**	420,490
Repayment of bank loans		**(437,875)**	(399,936)
Dividend paid		**(38,074)**	(38,073)
Principal portion of lease payments	16(b)	**(4,222)**	(3,789)
Net cash flows used in financing activities		**(160,255)**	(21,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(149,203)**	(54,430)
Cash and cash equivalents at beginning of year		**386,874**	455,165
Effect of foreign exchange rate changes, net		**(2,479)**	(13,861)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**235,192**	386,874
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**169,671**	200,721
Non-pledged time deposits with original maturity of less than three months when acquired		**65,521**	186,153
Non-pledged time deposits with original maturity of more than three months when acquired		**25,200**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**260,392**	386,874
Non-pledged time deposits with original maturity of more than three months when acquired		**(25,200)**	–
Cash and cash equivalents as stated in the consolidated statements of cash flows		**235,192**	386,874

1. CORPORATE AND GROUP INFORMATION

CNT Group Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Unit E, 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

- manufacture and sale of paint and coating products;
- property investment (including the investments in properties for rental income potential or for sale, and the proposed elderly care development in Hong Kong); and
- operate hotel business.

The subsidiaries of the Company were also involved in investment holding activities.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	–	75	Manufacture and sale of paint and coating products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd.#	PRC/ Mainland China	HK$107,667,000 (2022: HK$70,000,000)	–	75	Manufacture and sale of paint and coating products and property investment
The China Paint Mfg. Co., (Xinfeng) Ltd.#	PRC/ Mainland China	United States dollars ("US$") 25,000,000	–	75	Manufacture and sale of paint and coating products
China Molybdenum & Vanadium Development Limited	Hong Kong	HK$1,000	–	75	Investment holding
China Utilities Limited	British Virgin Islands ("BVI")	US$1	–	100	Investment holding
Cigma International Investment Limited	Hong Kong	HK$75	–	100	Property investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Enterprises Limited	BVI	US$1	100	–	Investment holding
CNT Finance Company Limited	Hong Kong	HK$2	–	100	Fund management
CNT Investments (BVI) Limited	BVI	US$159,705	100	–	Investment holding
CNT Iron And Steel Limited	BVI	US$1,566,804	100	–	Investment holding
CNT Iron And Steel Company Trading Limited	Hong Kong	HK$2	–	100	Investment holding
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	–	100	Property investment
CNT Management and Secretaries Limited	Hong Kong	HK$2	–	100	Management and consulting services and investment holding
CNT Property Limited	Hong Kong	HK$222,000,000	–	100	Property investment
CNT Resene (Distribution) Limited	Hong Kong	HK$1	–	75	Sale of paint and coating products
CNT Resene Limited	Hong Kong	HK$2	–	75	Manufacture and sale of paint and coating products and investment holding
CNT (BVI) Limited	BVI	US$1	100	–	Investment holding
CP Industries (BVI) Limited	BVI	US$1,635,512	–	75	Investment holding
CPM Group Limited	Cayman Islands	HK$100,000,000	–	75	Investment holding
Dongola Holdings Limited	BVI	US$1	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fan Ball Development Limited	Hong Kong	HK$10,000	–	100	Property investment and investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd.#	PRC/ Mainland China	US$4,000,000	–	75	Sale of paint and coating products and property investment
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.#	PRC/ Mainland China	US$2,000,000	–	75	Manufacture and sale of paint and coating products and property investment
Hubei Giraffe Paint Mfg. Co., Ltd.##	PRC/ Mainland China	Renminbi ("RMB") 40,000,000	–	67.9	Manufacture and sale of paint and coating products and property investment
Joyous Cheer Limited	Hong Kong	HK$1	–	100	Property development
Majority Faith Corporation	BVI	US$1	–	75	Investment holding
Nigon Hong Kong Limited	Hong Kong	HK$100	–	100	Hotel business
Profit Source Limited	Hong Kong	HK$2	–	100	Investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	–	100	Investment holding
Rich Union Properties Limited	Hong Kong	HK$2	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	–	75	Investment holding
Tatpo Corporation Limited	Liberia	US$20,872	100	–	Investment holding
Top Dreamer Limited	BVI	US$1	–	75	Investment holding
廣州市維美雲石有限公司#	PRC/ Mainland China	HK$50,975,000	–	100	Property investment
海諾威特種塗料(新豐)有限公司#	PRC/ Mainland China	RMB5,000,000	–	100	Property investment
深圳北海裕聯投資咨詢有限公司#	PRC/ Mainland China	RMB6,000,000	–	100	Investment holding
永成環保材料（廣東）有限公司#	PRC/ Mainland China	RMB90,000,000	–	75	Manufacture and sale of paint and coating products and property investment

\# Wholly-foreign-owned enterprises registered under PRC law.

\#\# Sino-foreign equity joint venture registered under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 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, equity investments and financial assets at fair value through profit or loss, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill) liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy discloses. The amendments did not have any impact on the measurement, recognition or presentation of any items in the financial position and performance of the Group.

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

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[1,4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") [1,4]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement [1]
Amendments to HKAS 21	Lack of Exchangeability [2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 it 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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosure of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of entity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in an associate are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investments in associates.

Fair value measurement

The Group measures its investment properties, equity investments and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	No depreciation	
Ownership interests in properties held for own use	2% – 4%	or over the lease terms, whichever rate is higher
Leasehold improvements	10% – 33%	or over the lease terms, whichever rate is higher
Plant and machinery	9% – 25%	
Furniture, fixtures and equipment	10% – 33%	
Motor vehicles	18% – 25%	

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

The transitional provisions set out in paragraph 80AA of HKAS 16 Property, Plant and Equipment have been adopted for certain of the Group's leasehold land and buildings stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30 September 1995 have not been further revalued after that date.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings, leasehold improvements and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the leasehold land and building revaluation reserve.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost includes all development expenditure, capitalised interest and other direct costs attributable to such properties.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Properties	1 to 3 years
Motor vehicles	5 years
Office equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product improvement and development expenditure which does not meet these criteria is expensed when incurred.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than two years past due.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are over three years past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivables from leasing of investment properties, the Group chooses as its accounting policy to adopt the simplified approach to calculate ECLs with policies as described above.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include an amount due to an associate, trade and bills payables, financial liabilities included in other payables and accruals and deposits received, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of industrial products (paint and coating products and iron and steel products)

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Provision of hotel services (hotel room revenue and other ancillary services)

Hotel room revenue is recognised over the stay of guests. The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the “other payables and accruals”. The Group allows an average credit period of 30 days to its trade customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model or other appropriate pricing models.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividend is recognised as a liability when the dividend is approved by the shareholders in a general meeting. Proposed final dividend is disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and product type).

The Group also performs impairment analysis on certain trade and bills receivables at each reporting date by considering the probability of default of counterparty. The Group takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 21 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group" would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) the income capitalisation method based on the capitalisation of existing rental income and reversionary market rental income, supported by the market rentals expected by investors for similar properties in the neighbourhood and by the market yield derived from analysing the sales transactions of similar properties.

The carrying amount of investment properties at 31 December 2023 was HK$772,933,000 (2022: HK$729,079,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 18 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair values of these investments as Level 2 or Level 3, where appropriate. The aggregate fair value of the unlisted equity investments at 31 December 2023 was HK$34,011,000 (2022: HK$42,104,000). Further details are included in note 18 to the financial statements.

Provision for and write-down of inventories to net realisable value

The Group's management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes provision for obsolete items. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. The Group's management reassesses the estimation at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for income tax

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment segment comprises:

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

 (ii) the development and sale of properties;

(c) the hotel business; and

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

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

4. OPERATING SEGMENT INFORMATION (continued)

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

4. OPERATING SEGMENT INFORMATION (continued)

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 of property, plant and equipment	17,881	2,158	1,848	5	21,892
Corporate and other unallocated depreciation					13
					21,905
Depreciation of 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 of inventories to net realisable value, net	(36)	–	–	–	(36)

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Paint products HK$'000	Property investment HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	639,134	19,983	4,828	1,646	665,591
Intersegment sales	–	4,696	–	–	4,696
Other revenue and gains, net	36,403	4,448	300	(1,456)	39,695
	675,537	29,127	5,128	190	709,982
Reconciliation:					
Elimination of intersegment sales					(4,696)
Total					705,286
Segment results	(86,366)	7,777	(6,075)	(3,557)	(88,221)
Reconciliation:					
Elimination of intersegment results					(609)
Interest income					4,751
Finance costs					(8,272)
Corporate and other unallocated expenses					(28,104)
Loss before tax					(120,455)
Segment assets	894,058	845,651	282,379	69,661	2,091,749
Reconciliation:					
Corporate and other unallocated assets					210,543
Elimination of inter-company receivables					(785)
Total assets					2,301,507
Segment liabilities	594,580	104,731	9,408	2,917	711,636
Reconciliation:					
Corporate and other unallocated liabilities					3,483
Elimination of inter-company payables					(785)
Total liabilities					714,334

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	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	–	(1,724)	–	–	(1,724)
Interest in an associate	–	2,707	–	–	2,707
Depreciation of property, plant and equipment	25,706	2,177	1,841	19	29,743
Corporate and other unallocated depreciation					9
					29,752
Depreciation of right-of-use assets	7,170	609	–	–	7,779
Corporate and other unallocated depreciation					14
					7,793
Capital expenditure*	21,736	1,396	–	–	23,132
Corporate and other unallocated capital expenditure					23
					23,155*
Fair value losses on investment properties, net	–	15,391	–	–	15,391
Provision/(reversal of provision) for impairment of trade and bills receivables, net	16,308	(1,198)	–	(90)	15,020
Trade receivables written off as uncollectible	522	–	–	–	522
Provision for impairment of property, plant and equipment	1,855	–	–	–	1,855
Provision for impairment of right-of use assets	6,145	–	–	–	6,145
Reversal of provision of inventories to net realisable value, net	(135)	–	–	(815)	(950)

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets (land portion only) and deposits for purchase of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	HK$'000
Hong Kong	**77,988**	83,383
Mainland China	**417,666**	582,208
	495,654	665,591

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

(b) Non-current assets

	2023	2022
	HK$'000	HK$'000
Hong Kong	**641,158**	664,538
Mainland China	**644,627**	668,535
	1,285,785	1,333,073

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 2023 and 2022, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers		
Sale of paint products	**448,475**	639,134
Sale of iron and steel products	**–**	1,646
Hotel operation	**10,999**	4,828
Revenue from other sources		
Gross rental income from investment properties operating leases	**36,180**	19,983
	495,654	665,591

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023	**Paint products HK$'000**	**Iron and steel products HK$'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**

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022	Paint products HK$'000	Iron and steel products HK$'000	Hotel business HK$'000	Total HK$'000
Segments				
Types of goods or services				
Sale of industrial products	639,134	1,646	–	640,780
Hotel operation	–	–	4,828	4,828
Total revenue from contracts with customers	639,134	1,646	4,828	645,608
Geographical markets				
Hong Kong	68,493	–	4,828	73,321
Mainland China	570,641	1,646	–	572,287
Total revenue from contracts with customers	639,134	1,646	4,828	645,608
Timing of revenue recognition				
Goods transferred at a point in time	639,134	1,646	–	640,780
Service satisfied over time	–	–	4,828	4,828
Total revenue from contracts with customers	639,134	1,646	4,828	645,608

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**943**	2,474

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

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within one month to three months from the invoice date, except for new customers, where payment in advance is normally required.

Hotel business

Hotel room revenue is recognised over the length of stay of guests. The Group receives deposits from guests when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the "other payables and accruals". The Group allows an average credit period of 30 days to its trade customers.

Ancillary service income which is recognised when is recognised when discharge of the services is transferred to customers at a point in time or over the service period, depending on the terms of the contracts.

As a practical expedient, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of industrial products and services are a part of contracts that have an original expected duration of one year or less.

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

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

	Note	**2023** **HK$'000**	2022 HK$'000
Other income and gains, net			
Bank interest income		**6,362**	4,751
Dividend income from financial assets at fair value through profit or loss held for trading		**8**	179
Government grants*		**836**	1,941
Government subsidies^		**4,077**	33,245
Recognition of deferred income	29	**284**	299
Gain on disposal of items of property, plant and equipment, net		**553**	537
Fair value losses on financial assets at fair value through profit or loss held for trading, net		**(3)**	(339)
Net losses on dealings in financial assets at fair value through profit or loss held for trading		**(154)**	(1,112)
Surrender income for early termination of tenancy agreement		**–**	2,297
Others		**2,157**	2,648
		14,120	44,446

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

^ During the year ended 31 December 2023, the amount was primarily attributed from that the PRC government granted subsidies of HK$2,399,000 for the removal of solvent production lines and solvent storage tanks in the Hubei Production Plant located in Mainland China. In addition, the tax authority granted to the CPM Group as 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 are no unfulfilled conditions or contingencies relating to these government subsidies.

During the year ended 31 December 2022, the PRC government granted subsidies for the removal of solvent production lines and solvent storage tanks in both the Shajing Production Plant and Hubei Production Plant located in Mainland China. The subsidies amounted to HK$27,057,000 and HK$2,373,000, respectively. Furthermore, a subsidy of HK$1,874,000 was granted for relocating the main factory entrances within the complex situated in Shanghai, Mainland China. In addition, government subsidies of HK$1,941,000 were granted from the 2022 Employment Support Scheme and Hotel Sector Support Scheme under the Anti-epidemic Fund of the Hong Kong government. There were no unfulfilled conditions or contingencies relating to these government subsidies.

6. LOSS BEFORE TAX

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

	Notes	2023 HK$'000	2022 HK$'000
Cost of inventories sold		**321,070**	509,429
Depreciation of property, plant and equipment	13	**21,905**	29,752
Depreciation of right-of-use assets	16(a)	**6,646**	7,793
Dividend income from financial assets at fair value through profit or loss held for trading*		**(8)**	(179)
Lease payments not included in the measurement of lease liabilities	16(c)	**674**	3,856
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**3,875**	2,015
Auditor's remuneration:			
Audit related services		**4,730**	4,930
Other services		**498**	539
		5,228	5,469
Employee benefit expense (excluding Directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		**92,819**	115,700
Equity-settled share option expenses		**1,261**	4,208
Pension scheme contributions (defined contribution schemes)#		**10,977**	15,605
Net pension benefit expenses recognised (defined benefit schemes)		**–**	1
		105,057	135,514
Fair value losses on financial assets at fair value through profit or loss held for trading, net*		**3**	339
Fair value losses on investment properties, net	14	**30,561**	15,391
Foreign exchange differences, net*		**2,864**	1,789
Gain on disposal of items of property, plant and equipment, net*		**(553)**	(537)
Loss on revaluation of property, plant and equipment*	13	**26**	–
Loss on revaluation of right-of-use assets*	16(a)	**1,778**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading*		**154**	1,112
Provision for impairment of trade and bills receivables, net*	21	**49,154**	15,020
(Reversal of)/provision for impairment of property, plant and equipment*	13	**(927)**	1,855
(Reversal of)/provision for impairment of right-of-use assets*	16(a)	**(3,710)**	6,145
Reversal of provision of inventories to net realisable value, net@		**(36)**	(950)
Staff termination cost*		**1,226**	21,581
Trade receivables written off as uncollectible		**–**	522
Write-off of items of property, plant and equipment*	13	**54**	1,354

* 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.

\# At 31 December 2023 and 2022, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on bank loans	**12,100**	7,944
Interest on lease liabilities	**462**	328
	12,562	8,272

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK$'000	2022 HK$'000
Fees:		
Executive Directors	**600**	600
Non-executive Directors	**200**	200
Independent non-executive Directors	**650**	700
	1,450	1,500
Other emoluments:		
Salaries, allowances and benefits in kind	**8,076**	8,919
Equity-settled share option expenses	**420**	1,402
Discretionary bonuses	**840**	1,205
Pension scheme contributions	**368**	386
Consultancy fee	**–**	220
Others	**400**	600
	10,104	12,732
	11,554	14,232

During the year ended 31 December 2022, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting periods, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive Directors

The fees paid/payable to independent non-executive Directors during the year were as follows:

	2023 HK$'000	2022 HK$'000
Ko Kwok Fai, Dennis	**200**	200
Huang De Rui	**200**	200
Zhang Xiaojing	**50**	100
Lin Yingru	**100**	100
Cheng Wai Po, Samuel	**100**	100
	650	700

There were no other emoluments payable to the independent non-executive Directors during the year (2022: Nil).

(b) Executive Directors and non-executive Directors

2023	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share option expenses HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Others HK$'000	Total remuneration HK$'000
Executive Directors:							
Tsui Tam Tong, Terry	–	1,046	–	–	–	–	1,046
Chong Chi Kwan	600	1,386	210	110	18	200*	2,524
	600	2,432	210	110	18	200*	3,570
Non-executive Directors:							
Tsui Ho Chuen, Philip	100	5,644	210	730	350	200*	7,234
Zhang Yulin	100	–	–	–	–	–	100
	200	5,644	210	730	350	200	7,334
	800	8,076	420	840	368	400	10,904

8. DIRECTORS' REMUNERATION (continued)

(b) Executive Directors and non-executive Directors (continued)

2022	Fees HK$' 000	Salaries, allowances and benefits in kind HK$' 000	Equity settled share option expenses HK$' 000	Discretionary bonuses HK$' 000	Pension scheme contributions HK$' 000	Others HK$' 000	Total remuneration HK$' 000
Executive Directors:							
Lam Ting Ball, Paul (resigned on 16 December 2022)	–	1,945	–	–	18	200*	2,163
Tsui Tam Tong, Terry (appointed on 16 December 2022)	–	–	–	–	–	–	–
Chong Chi Kwan	600	1,330	701	110	18	200*	2,959
	600	3,275	701	110	36	400	5,122
Non-executive Directors:							
Tsui Ho Chuen, Philip	100	5,644	701	1,095	350	200*	8,090
Chan Wa Shek (resigned on 23 August 2022)	–	–	–	–	–	–	–
Wu Hong Cho (resigned on 1 December 2022)	–	–	–	–	–	220#	220
Zhang Yulin	100	–	–	–	–	–	100
	200	5,644	701	1,095	350	420	8,410
	800	8,919	1,402	1,205	386	820	13,532

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

For consultancy services provided to the Company related to legal and professional services for projects development and related matters in Hong Kong.

* Fee paid for their capacity as directors of CPM Group Limited.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2022: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are non-Directors for the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**7,652**	7,674
Discretionary bonuses	**1,216**	1,852
Pension scheme contributions	**36**	36
	8,904	9,562

The remuneration of the non-Director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	3	3

10. 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 2023 (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	Note	2023 HK$'000	2022 HK$'000
Current – Elsewhere			
Charge for the year		**1,038**	257
Under/(over) provision in prior years		**1,304**	(292)
Deferred	28	**(3,450)**	(1,431)
Total tax credit for the year		**(1,108)**	(1,466)

10. INCOME TAX (continued)

A reconciliation of the tax credit for the year applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023	2022
	HK$'000	HK$'000
Loss before tax	**(86,328)**	(120,455)
Tax at the statutory tax rate	**(14,244)**	(19,875)
Different tax rates for specific provinces in the PRC, net	**191**	(2,585)
Adjustments in respect of current tax of previous periods	**1,304**	(292)
Profits and losses attributable to an associate	**(275)**	(284)
Income not subject to tax	**(3,312)**	(2,622)
Expenses not deductible for tax	**9,446**	11,020
Tax losses utilised from previous periods	**(939)**	(3,026)
Tax losses brought forward from previous periods now recognised	**(5,296)**	–
Tax losses not recognised	**10,622**	13,428
Effect of withholding tax on the distributable profits of the Group's subsidiaries	**810**	(1,732)
Others	**585**	4,502
Tax credit at the Group's effective rate	**(1,108)**	(1,466)

The share of tax attributable to an associate amounting to HK$329,000 (2022: HK$341,000) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

11. DIVIDEND

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

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

12. 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$68,579,000 (2022: HK$94,081,000), and the weighted average number of ordinary shares of 1,903,685,690 (2022: 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 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2023	Freehold land and hotel property HK$'000	Ownership interests in properties held for own use HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2023:								
Cost or valuation	261,500	292,274	317	50,898	89,092	32,008	14,146	740,235
Accumulated depreciation and impairment	(1,865)	(122,651)	–	(30,408)	(76,538)	(25,413)	(12,356)	(269,231)
Net carrying amount	259,635	169,623	317	20,490	12,554	6,595	1,790	471,004
At 1 January 2023, net of accumulated depreciation and impairment	259,635	169,623	317	20,490	12,554	6,595	1,790	471,004
Additions	–	–	1,947	509	414	767	360	3,997
Disposals	–	–	–	–	(788)	(59)	(16)	(863)
Write-off (note 6)	–	–	–	–	(22)	(32)	–	(54)
Depreciation provided during the year (note 6)	(1,722)	(10,068)	–	(2,577)	(5,120)	(1,906)	(512)	(21,905)
Transfer	–	–	(789)	188	397	204	–	–
Transfer to investment properties (note 14)	–	(35,422)	–	(9,625)	–	–	–	(45,047)
Surplus on revaluation	–	21,273	–	–	–	–	–	21,273
Loss on revaluation (note 6)	–	(26)	–	–	–	–	–	(26)
Impairment loss reversed (note 6)	–	–	–	927	–	–	–	927
Exchange realignment	–	(3,016)	(61)	(119)	(388)	(154)	(48)	(3,786)
At 31 December 2023, net of accumulated depreciation and impairment	257,913	142,364	1,414	9,793	7,047	5,415	1,574	425,520
At 31 December 2023:								
Cost or valuation	261,500	246,739	1,414	30,499	86,960	29,891	12,804	669,807
Accumulated depreciation and impairment	(3,587)	(104,375)	–	(20,706)	(79,913)	(24,476)	(11,230)	(244,287)
Net carrying amount	257,913	142,364	1,414	9,793	7,047	5,415	1,574	425,520

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2022	Freehold land and hotel property HK$'000	Ownership interests in properties held for own use HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022:								
Cost or valuation	261,500	381,421	1,111	59,747	156,656	35,840	16,974	913,249
Accumulated depreciation and impairment	(143)	(186,646)	–	(32,026)	(137,193)	(28,136)	(14,297)	(398,441)
Net carrying amount	261,357	194,775	1,111	27,721	19,463	7,704	2,677	514,808
At 1 January 2022, net of accumulated depreciation and impairment	261,357	194,775	1,111	27,721	19,463	7,704	2,677	514,808
Additions	–	–	316	3,817	564	2,013	3	6,713
Disposals	–	–	–	–	(86)	–	(24)	(110)
Write-off (note 6)	–	(32)	–	(404)	(808)	(110)	–	(1,354)
Depreciation provided during the year (note 6)	(1,722)	(11,748)	–	(7,625)	(5,658)	(2,305)	(694)	(29,752)
Transfer	–	–	(1,115)	479	636	–	–	–
Transfer to investment properties (note 14)	–	(160,710)	–	–	–	–	–	(160,710)
Transfer from deposits for purchases of property, plant and equipment (note 19)	–	4,618	–	–	68	173	–	4,859
Surplus on revaluation	–	154,698	–	–	–	–	–	154,698
Impairment (note 6)	–	–	–	(1,664)	–	(191)	–	(1,855)
Exchange realignment	–	(11,978)	5	(1,834)	(1,625)	(689)	(172)	(16,293)
At 31 December 2022, net of accumulated depreciation and impairment	259,635	169,623	317	20,490	12,554	6,595	1,790	471,004
At 31 December 2022:								
Cost or valuation	261,500	292,274	317	50,898	89,092	32,008	14,146	740,235
Accumulated depreciation and impairment	(1,865)	(122,651)	–	(30,408)	(76,538)	(25,413)	(12,356)	(269,231)
Net carrying amount	259,635	169,623	317	20,490	12,554	6,595	1,790	471,004

13. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2023, reversal of provision for impairment loss of HK$927,000 (2022: impairment loss of HK$1,855,000) was made for certain property, plant and equipment (note 6) that have been reclassified as investment properties. The fair value of these assets was determined by the independent professional valuer (note 14) (2022: by management based on their recoverable amounts which were determined by value-in-use calculations).

Certain of the Group's ownership interests in properties held for own use situated in Hong Kong and Mainland China were revalued at 31 December 1994 by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer. The leasehold land and buildings situated in Hong Kong were revalued at open market value, based on their existing use. The leasehold land and buildings situated in Mainland China were revalued based on a combination of the market and the depreciated replacement costs. Since 31 December 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80AA of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had the Group's ownership interests in properties held for own use been carried at historical cost less accumulated depreciation and impairment, their total carrying amount at 31 December 2023 would have been HK$19,947,000 (2022: HK$20,944,000).

At 31 December 2023, certain of the above freehold land and hotel property; and ownership interests in properties held for own use with an aggregate net carrying amount of HK$96,094,000 (2022: HK$292,403,000) were pledged to secure general banking facilities granted to the Group (note 27).

14. INVESTMENT PROPERTIES

	Notes	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January		**729,079**	601,378
Fair value losses, net	6	**(30,561)**	(15,391)
Transfer from owner-occupied properties	13	**45,047**	160,710
Transfer from right-of-use assets	16(a)	**43,540**	–
Exchange realignment		**(14,172)**	(17,618)
Carrying amount at 31 December		**772,933**	729,079

The investment properties of the Group consist of residential, commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that investment properties consist of five classes of asset, i.e., commercial properties and residential and commercial composite building in Hong Kong and residential, commercial and industrial properties in the PRC during the year (31 December 2022: five classes of asset, i.e., commercial properties and serviced apartment in Hong Kong and residential, commercial and industrial properties in the PRC), based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by BMI Appraisals Limited and 中山市安平房地產評估有限公司, the independent professional qualified valuers. The finance department of the Group which reports directly to the senior management selects external valuers to be responsible for the external valuations of the properties of the Group based on market knowledge, reputation and independence of the external valuers, and whether professional standards are maintained by the external valuers.

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

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

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

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

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023	2022
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	**HK$22 to HK$84**	HK$22 to HK$108
			Capitalisation rates	**2.4% to 3.1%**	2.0% to 2.8%
Residential and commercial composite building in Hong Kong	Level 3	Market comparison approach	Prevailing market rates (per sq.ft.)	**HK$16,199 to HK$46,795**	HK$17,239 to HK$46,393
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	**RMB78 to RMB231**	RMB173 to RMB251
			Capitalisation rates	**3.0% to 5.0%**	3.5% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB6,173 to RMB44,576**	RMB6,296 to RMB45,857

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023	2022
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	**RMB8 to RMB58**	RMB14 to RMB47
			Capitalisation rates	**4.5% to 8.8%**	5.5% to 8.5%
		Market comparison approach and depreciated replacement cost approach	Prevailing market rates (per sq.m.)	**RMB741 to RMB3,026**	N/A
			Estimated replacement cost (per sq.m.)	**RMB926 to RMB2,476**	N/A
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	**RMB9,277 to RMB55,985**	RMB9,649 to RMB61,204
			Capitalisation rates	**4.5% to 8.8%**	2.0% to 3.5%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB9,277 to RMB55,985**	RMB9,649 to RMB61,204

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

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

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

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

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

	Commercial properties in Hong Kong HK$'000	Residential and commercial composite building in Hong Kong HK$'000	Commercial properties in Mainland China HK$'000	Industrial properties in Mainland China HK$'000	Residential properties in Mainland China HK$'000	Total HK$'000
Carrying amount at 1 January 2022	181,500	138,700	98,545	109,957	72,676	601,378
Fair value gains/(losses), net	(5,500)	(5,000)	(2,776)	476	(2,591)	(15,391)
Transfer from owner – occupied properties (note 13)	–	–	–	160,710	–	160,710
Exchange realignment	–	–	(7,672)	(4,259)	(5,687)	(17,618)
Carrying amount at 31 December 2022 and 1 January 2023	**176,000**	**133,700**	**88,097**	**266,884**	**64,398**	**729,079**
Fair value losses, net	**(13,000)**	**(7,800)**	**(3,796)**	**(959)**	**(5,006)**	**(30,561)**
Transfer from owner – occupied properties (note 13)	**–**	**–**	**–**	**43,156**	**1,891**	**45,047**
Transfer from right-of-use assets (note 16(a))	**–**	**–**	**–**	**40,165**	**3,375**	**43,540**
Exchange realignment	**–**	**–**	**(2,510)**	**(9,958)**	**(1,704)**	**(14,172)**
Carrying amount at 31 December 2023	**163,000**	**125,900**	**81,791**	**339,288**	**62,954**	**772,933**

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16.

At 31 December 2023, certain of the Group's investment properties with an aggregate carrying value of HK$357,959,000 (2022: HK$395,126,000) were pledged to secure general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on pages 182 to 185.

15. PROPERTIES UNDER DEVELOPMENT

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January and 31 December	**28,000**	28,000

The properties under development are situated in Hong Kong. As at 31 December 2022 and 2023, the properties under development are pending for development. During the year ended 31 December 2022, the Rural and New Town Planning Committee of the Town Planning Board approved the Group's application for the redevelopment of this site with permission on (a) the preservation of a historical building in the site under development; (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 in August 2022. The permission shall be valid for 4 years until August 2026.

Further particulars of the Group's properties under development are included on page 186.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of lands, properties and other equipment (2022: various items of lands, properties and other equipment) used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 5 years. Other equipment generally has lease terms ranged from 2 to 5 years and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties HK$'000	Leasehold land HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 January 2022	3,428	94,267	75	97,770
Additions	9,450	10,977	–	20,427
Depreciation charge	(4,164)	(3,610)	(19)	(7,793)
Impairment (note 6)	–	(6,145)	–	(6,145)
Exchange realignment	(389)	(5,895)	–	(6,284)
As at 31 December 2022 and 1 January 2023	**8,325**	**89,594**	**56**	**97,975**
Additions	**1,241**	**1,817**	**32**	**3,090**
Write-off	**–**	**–**	**(9)**	**(9)**
Depreciation charge	**(3,616)**	**(3,012)**	**(18)**	**(6,646)**
Transfer to investment properties (note 14)	**–**	**(43,540)**	**–**	**(43,540)**
Loss on revaluation (note 6)	**–**	**(1,778)**	**–**	**(1,778)**
Impairment loss reversed (note 6)	**–**	**3,710**	**–**	**3,710**
Exchange realignment	**(194)**	**(797)**	**–**	**(991)**
As at 31 December 2023	**5,756**	**45,994**	**61**	**51,811**

At 31 December 2023, none of the Group's right-of-use assets (2022: HK$16,660,000) were pledged to secure general banking facilities granted to the Group (note 27).

During the year ended 31 December 2023, reversal of impairment loss of HK$3,710,000 (2022: impairment loss of HK$6,145,000) was made for leasehold land (note 6) by management based on their fair value which were determined by the independent professional value (note 14) (2022: by management based on their recoverable amounts which were determined by value-in-use calculations).

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**8,784**	3,527
New leases	**3,090**	9,450
Accretion of interest recognised during the year	**462**	328
Payments	**(4,684)**	(4,117)
Exchange realignment	**(206)**	(404)
Carrying amount at 31 December	**7,446**	8,784
Analysed into:		
Current portion	**3,579**	3,571
Non-current portion	**3,867**	5,213

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**462**	328
Depreciation charge of right-of-use assets	**6,646**	7,793
Expenses relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	**674**	3,856
Total amount recognised in profit or loss	**7,782**	11,977

(d) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of certain commercial properties in Hong Kong, certain residential, commercial and industrial properties in Mainland China, and an insignificant portion of buildings in Mainland China (note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group for its investment properties during the year was HK$36,180,000 (2022: HK$19,983,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with third parties are as follows:

	2023	2022
	HK$'000	HK$'000
Within one year	**36,007**	21,596
After one year but within two years	**33,216**	20,251
After two years but within three years	**33,149**	18,074
After three years but within four years	**30,684**	18,526
After four years but within five years	**17,362**	19,035
Over 5 years	**17,453**	6,610
	167,871	104,092

17. INTEREST IN AN ASSOCIATE

	2023 HK$'000	2022 HK$'000
Share of net assets	**2,572**	2,707

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

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2023	2022	Principal activity
Arran Investment Company Limited	Founder's shares and ordinary shares	Hong Kong	**50**	50	Property investment

Arran Investment Company Limited was a corporate associate indirectly held by the Company as at 31 December 2023. Arran Investment Company Limited uses a financial year end date of 31 October. The consolidated financial statements are adjusted for material transactions between this associate and the Group between the financial year end date of this associate and that of the Group.

The above associate has been accounted for using the equity method in these financial statements.

The following table illustrates the financial information of the Group's associate that is not individually material:

	2023 HK$'000	2022 HK$'000
Share of the associate's profit for the year	**1,668**	1,724
Share of the associate's total comprehensive income	**1,668**	1,724
Dividend paid by the associate during the year	**1,803**	1,739
Aggregate carrying amount of the Group's investment in the associate	**2,572**	2,707

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Profitable Industries Limited	**28,133**	36,870
Goodwill International (Holdings) Limited	**5,578**	4,934
Unlisted club membership debenture	**300**	300
	34,011	42,104

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

No dividend was distributed from Goodwill International (Holdings) Limited during the year ended 31 December 2023 and 2022.

19. DEPOSITS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

	Note	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January		**4,308**	4,850
Additions		**–**	5,465
Transfer to property, plant and equipment	13	**–**	(4,859)
Exchange realignment		**(123)**	(1,148)
Carrying amount at 31 December		**4,185**	4,308

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**16,745**	24,251
Work in progress	**2,894**	3,666
Finished goods	**7,714**	15,207
	27,353	43,124

21. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**249,545**	368,032
Bills receivable	**46,393**	78,847
	295,938	446,879
Impairment	**(122,231)**	(76,278)
	173,707	370,601

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

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

21. TRADE AND BILLS RECEIVABLES (continued)

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:

	2023 **HK$'000**	2022 HK$'000
Within three months	**65,801**	148,921
Over three months and within six months	**21,061**	72,445
Over six months	**86,845**	149,235
	173,707	370,601

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

2023	Note	**Trade receivables HK$'000**	**Bills receivable HK$'000**	**Total HK$'000**
At beginning of year		**61,805**	**14,473**	**76,278**
Provision for impairment of trade and bills receivables, net	6	**33,873**	**15,281**	**49,154**
Amount written off as uncollectible		**(2,059)**	**–**	**(2,059)**
Exchange realignment		**(1,007)**	**(135)**	**(1,142)**
At end of year		**92,612**	**29,619**	**122,231**

2022	Note	Trade receivables HK$'000	Bills receivable HK$'000	Total HK$'000
At beginning of year		65,326	3,355	68,681
Provision for impairment of trade and bills receivables, net	6	4,051	10,969	15,020
Amount written off as uncollectible		(2,694)	–	(2,694)
Exchange realignment		(4,878)	149	(4,729)
At end of year		61,805	14,473	76,278

21. TRADE AND BILLS RECEIVABLES (continued)

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and product type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As at 31 December 2023, an additional impairment analysis is performed for higher default risk trade receivables, the loss allowance was measured at an amount equal to 12 month and lifetime expected credit losses under general approach by considering the probability of default of comparable companies with published credit ratings.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2023

			Past due			
	Credit-impaired receivables	**Current**	**Within 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**100%**	**14.6%**	**29.5%**	**42.0%**	**45.9%**	**37.1%**
Gross carrying amount (HK$'000)	**20,171**	**86,664**	**28,697**	**25,971**	**88,042**	**249,545**
Expected credit losses (HK$'000)	**20,171**	**12,655**	**8,462**	**10,903**	**40,421**	**92,612**

As at 31 December 2022

			Past due			
	Credit-impaired receivables	Current	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	100%	4.3%	4.7%	11.5%	22.5%	16.8%
Gross carrying amount (HK$'000)	25,176	131,835	69,732	37,907	103,382	368,032
Expected credit losses (HK$'000)	25,176	5,710	3,251	4,359	23,309	61,805

Bills receivable

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2023, the probability of default applied ranged from 0.1% to 100.0% (2022: 0.1% to 32.6%) and the loss given default ranged from 61.5% to 100.0% (2022: 59.1% to 64.9%).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**3,643**	3,526
Deposits and other receivables	**52,597**	66,854
	56,240	70,380
Impairment allowance	**–**	(2,800)
	56,240	67,580
Analysed into:		
Current portion	**55,476**	67,080
Non-current portion	**764**	500

The movements in the loss allowance for impairment of other receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**2,800**	2,800
Amount written off as uncollectable	**(2,800)**	–
At end of year	**–**	2,800

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2022, full impairment was provided on an other receivable of HK$2,800,000. The remaining financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Listed equity investments, at fair value	**–**	407

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**169,671**	200,721
Time deposits:		
– with original maturity of less than three months when acquired	**65,521**	186,153
– with original maturity of more than three months when acquired	**124,194**	42,202
	359,386	429,076
Less: Pledged time deposits		
– with original maturity of more than three months when acquired	**(98,994)**	(42,202)
Cash and cash equivalents	**260,392**	386,874

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$232,319,000 (2022: HK$266,283,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

As at 31 December 2023, time deposits amounted to HK$98,117,000 (2022: HK$40,397,000) were pledged for securing the Group's bills payable and HK$877,000 (2022: HK$1,805,000) were pledged for securing the performance bonds issued by the bank to customers on certain sales project on behalf of the Group as guarantees (note 35).

25. 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:

	2023 HK$'000	2022 HK$'000
Within three months	**71,790**	122,567
Over three months and within six months	**62,130**	76,699
Over six months	**61,603**	61,512
	195,523	260,778

The trade and bills payables are unsecured, non-interest-bearing and normally settled within two months. As at 31 December 2023, the bills payable with an aggregate carrying amount of HK$115,694,000 (2022: HK$134,656,000) were secured by time deposits of HK$98,117,000 (2022: HK$40,397,000).

26. OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIVED

	Notes	2023 HK$'000	2022 HK$'000
Deferred income	29	**292**	300
Other payables	(i)	**35,609**	47,383
Accruals		**28,737**	40,568
Contract liabilities	(ii)	**1,519**	1,598
		66,157	89,849
Portion classified as current liabilities		**(60,976)**	(86,184)
Non-current portion		**5,181**	3,665

Notes:

(i) The other payables are non-interest-bearing and have an average term of three months.

(ii) Details of contract liabilities are as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Short term advances received from customers			
Sales of industrial products	**1,519**	1,598	3,020

Contract liabilities include advances received to deliver industrial products. The changes in contract liabilities in 2023 and 2022 were mainly due to the decrease in advances received from customers. In relation to sales of industrial products near year end whereas the Group had not yet delivered the products to customers.

27. INTEREST-BEARING BANK BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Bank loans – secured	**3.3 – 7.1**	**2024 to 2050**	**131,013**	2.9 – 6.6	2023 to 2050	207,438
Bank loans – unsecured	**5.0 – 6.9**	**2024 to 2026**	**40,437**	3.6 – 6.4	2023 to 2026	81,420
Import loans – secured	**Nil**	**Nil**	**–**	5.5	2023	258
			171,450			289,116

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**171,450**	289,116

Notes:

(a) The above bank loans of HK$171,450,000 (2022: HK$289,116,000) containing a repayment on demand clause were already included in the current liabilities as at 31 December 2023. Accordingly, for the purpose of the above analysis, the bank loans due for repayment after one year were analysed into bank loans and import loans repayable within one year or on demand as at the end of the reporting period.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable as at 31 December 2023 and 2022 as follows:

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**100,895**	214,461
In the second year	**4,198**	4,238
In the third to fifth years, inclusive	**21,860**	24,968
Beyond fifth years	**44,497**	45,449
	171,450	289,116

27. INTEREST-BEARING BANK BORROWINGS (continued)

Notes: (continued)

(b) The Group's bank loans are secured by:

(i) the Group's ownership interests in properties held for own use and freehold land and hotel property and one of the Group's right-of-use assets with aggregate net book values at the end of the reporting period of HK$96,094,000 (2022: HK$292,403,000) (note 13) and Nil (2022: HK$16,660,000) (note 16 (a)), respectively;

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$357,959,000 (2022: HK$395,126,000) (note 14); and

(iii) charges over shares of an indirect subsidiary of the Company as at 31 December 2022.

(c) As at 31 December 2023 and 2022, except for an unsecured bank loan with a carrying amount of HK$16,437,000 (2022: HK$16,920,000) and a secured bank loan with an aggregate carrying amount of HK$33,508,000 (2022: Nil) which are denominated in RMB, other interest-bearing bank borrowings are denominated in HK$.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets		Revaluation of properties		Withholding taxes		Depreciation allowance in excess of related depreciation		Others		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,140**	151	**44,175**	23,838	**1,270**	3,325	**5,943**	6,584	**188**	–	**52,716**	33,898
Deferred tax charged/(credited) to the statement of profit or loss during the year*	**(399)**	944	**(2,612)**	(1,208)	**810**	(1,732)	**1,989**	(264)	**981**	180	**769**	(2,080)
Deferred tax charged to the statement of comprehensive income during the year	**–**	–	**5,101**	23,204	**–**	–	**–**	–	**–**	–	**5,101**	23,204
Exchange realignment	**(28)**	45	**(1,253)**	(1,659)	**(32)**	(323)	**(159)**	(377)	**(38)**	8	**(1,510)**	(2,306)
Gross deferred tax liabilities at 31 December	**713**	1,140	**45,411**	44,175	**2,048**	1,270	**7,773**	5,943	**1,131**	188	**57,076**	52,716

Deferred tax assets

	Lease liabilities		Impairment of trade and bills receivables		Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,202**	154	**3,487**	4,162	**10,159**	12,022	**1,535**	2,371	**299**	323	**16,682**	19,032
Deferred tax credited/(charged) to the statement of profit or loss during the year*	**(385)**	1,005	**(526)**	(339)	**5,296**	(677)	**(69)**	(638)	**(97)**	–	**4,219**	(649)
Exchange realignment	**(32)**	43	**(98)**	(336)	**(292)**	(1,186)	**(44)**	(198)	**(7)**	(24)	**(473)**	(1,701)
Gross deferred tax assets at 31 December	**785**	1,202	**2,863**	3,487	**15,163**	10,159	**1,422**	1,535	**195**	299	**20,428**	16,682

* Net deferred tax credited to the consolidated statement of profit or loss for the year ended 31 December 2023 amounted to HK$3,450,000 (2022: net deferred tax credited of HK$1,431,000) (note 10).

28. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	2022
	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**19,715**	15,542
Net deferred tax liabilities recognised in the consolidated statement of financial position	**56,363**	51,576

At the end of the reporting period, deferred tax assets arising in certain of the Group's subsidiaries have not been recognised in respect of tax losses arising in Hong Kong of HK$1,238.9 million (2022: HK$1,203.1 million), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely and in Mainland China of HK$230.1 million (2022: HK$167.7 million) that are available for a maximum of five years, as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised in the foreseeable future.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2023, deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$149.9 million (2022: HK$142.3 million) at 31 December 2023.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. DEFERRED INCOME

	Notes	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January		**935**	1,328
Recognised during the year	5	**(284)**	(299)
Exchange realignment		**(24)**	(94)
Carrying amount at 31 December		**627**	935
Portion classified as current liabilities	26	**(292)**	(300)
Non-current portion		**335**	635

As an arrangement of attracting foreign investments in Xuzhou, the PRC, the Group entered into certain agreements (the "Xuzhou Agreements") with the Xuzhou Economic Development Zone Committee ("徐州經濟開發區管委會") (the "Xuzhou Authority", under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for Giraffe Paint Mfg. Co., (Xuzhou) Ltd., a manufacturing subsidiary of the Group (the "Xuzhou Subsidiary") and also provided the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the "Construction Loan").

The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. On 25 June 2007, the Group entered into certain revised agreements with the Xuzhou Authority to finalise the land premium payable at RMB4,793,000 for the parcel of land on which the plant and office buildings were constructed and waived the same amount of the Construction Loan. The amount was recorded as deferred income and is recognised in the consolidated statement of profit or loss over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary whose construction was financed by the Construction Loan.

30. SHARE CAPITAL

Shares

	2023 HK$'000	2022 HK$'000
Authorised:		
2,880,000,000 (2022: 2,880,000,000) ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,903,685,690 (2022: 1,903,685,690) ordinary shares of HK$0.10 each	**190,369**	190,369

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

Share Option Schemes of the Company

The 2012 Scheme

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

The 2012 Scheme was terminated by the Company pursuant to a resolution passed at the special general meeting of the Company held on 2 June 2022. Further details are set out in the circular of the Company dated 28 April 2022.

During the year ended 31 December 2022, no share options were granted under the 2012 Scheme.

The 2022 Scheme

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

The 2022 Scheme will expire on 1 June 2032.

During the year ended 31 December 2023 and 2022, no share options were granted under the 2022 Scheme.

31. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM

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

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

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

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

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

31. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM (continued)

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

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

The summary below sets forth the details of movement of share options granted as at 31 December 2023 pursuant to the CPM Scheme:

				Number of share options				
	Date of grant	Exercise period (Note)	Exercise price per share HK$	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2023
Directors of CPM	15 June 2022	15 June 2022 to 14 June 2027	0.335	30,000,000	–	–	–	30,000,000
Employee of the CPM Group	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	–	–	–	50,000,000
Total				80,000,000	–	–	–	80,000,000

Note:

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

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

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

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

(d) 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025 to 14 June 2027; and

(e) the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026 to 14 June 2027.

None of the share options granted during the year ended 31 December 2023 and 2022 under the CPM Scheme were exercised, cancelled or lapsed.

31. SHARE OPTION SCHEME (continued)

Share Option Scheme of CPM (continued)

No share options were granted under the CPM Scheme during the year ended 31 December 2023 (2022: the fair value of the share options granted under the CPM Scheme on 15 June 2022 was HK$8,417,000). Share option expense of approximately HK$1,682,000 was recognised by the CPM Group during the year ended 31 December 2023 (2022: HK$5,610,000).

The fair value of equity-settled share options granted during the year ended 31 December 2022 was estimated as at the date of grant, using a Binomial Option Pricing Model (the "Model"), taking into account the terms and conditions upon which the share options were granted. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option. The following table lists the inputs to the model used:

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

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

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

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

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2023 and 2022 are presented in the consolidated statement of changes in equity on pages 83 and 84.

33. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interest:		
CPM Group Limited	**25%**	25%
	HK$'000	HK$'000
Loss for the year allocated to non-controlling interest:		
CPM Group Limited	**(16,779)**	(24,521)
Dividends paid to non-controlling interest:		
CPM Group Limited	**–**	–
Accumulated balance of non-controlling interest at the reporting date:		
CPM Group Limited	**116,585**	133,725

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CPM Group Limited	**2023 HK$'000**	2022 HK$'000
Revenue	**469,091**	643,049
Other income and gains, net	**9,622**	40,641
Total operating expenses	**(548,172)**	(782,146)
Income tax credit/(expense)	**2,482**	(15)
Loss for the year	**(66,977)**	(98,471)
Other comprehensive income/(loss) for the year	**(7,010)**	80,692
Total comprehensive loss for the year	**(73,987)**	(17,779)
Current assets	**496,428**	660,203
Non-current assets	**476,431**	492,629
Current liabilities	**(381,470)**	(587,954)
Non-current liabilities	**(142,749)**	(43,933)
Non-controlling interest	**(4,175)**	(2,879)
Net cash flows from/(used in) operating activities	**83,637**	(37,133)
Net cash flows used in investing activities	**(59,787)**	(18,503)
Net cash flows from/(used in) financing activities	**(24,663)**	18,054
Net decrease in cash and cash equivalents	**(813)**	(37,582)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$3,090,000 (2022: HK$9,450,000) and HK$3,090,000 (2022: HK$9,450,000), respectively, in respect of lease arrangements for properties and other equipment (2022: lease arrangement for properties).

(ii) During the year ended 31 December 2022, the Group completed the acquisition of certain items of property, plant and equipment, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK$179,000.

(b) Changes in liabilities arising from financing activities

	2023	
	Interest-bearing bank borrowings HK$'000	**Lease liabilities HK$'000**
At 1 January 2023	**289,116**	**8,784**
Changes from financing cash flows	**(117,959)**	**(4,222)**
New leases	**–**	**3,090**
Interest expenses	**–**	**462**
Interest paid classified as operating cash flows	**–**	**(462)**
Foreign exchange movement	**193**	**(206)**
At 31 December 2023	**171,450**	**7,446**

	2022	
	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2022	269,207	3,527
Changes from financing cash flows	20,554	(3,789)
New leases	–	9,450
Interest expenses	–	328
Interest paid classified as operating cash flows	–	(328)
Foreign exchange movement	(645)	(404)
At 31 December 2022	289,116	8,784

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within operating activities	1,136	4,184
Within financing activities	4,222	3,789
	5,358	7,973

35. CONTINGENT LIABILITIES

At the end of the current and prior years, contingent liabilities not provided for in the financial statements were as follows:

	2023 HK$'000	2022 HK$'000
Guarantees given to the bank for:		
Performance bonds	877	1,805

The performance bonds were secured by the pledged deposits of HK$877,000 as at 31 December 2023 (2022: HK$1,805,000).

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable, bank borrowings and performance bonds are included in notes 25, 27 and 35, respectively, to the financial statements.

37. COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	2,737	1,592

38. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of the Group's balance with an associate as at the end of the reporting period are disclosed in note 17 to the financial statements.

(b) Compensation of key management personnel of the Group

	2023	2022
	HK$'000	HK$'000
Short-term employee benefits	**3,342**	4,385
Post-employment benefits	**18**	36
Equity-settled share option expense	**210**	701
Total compensation paid/payable to key management personnel	**3,570**	5,122

Further details of Directors' emoluments are included in note 8 to the financial statements.

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2023

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	34,011	34,011
Trade and bills receivables	173,707	–	–	173,707
Financial asses included in prepayments, deposits and other receivables	4,869	–	–	4,869
Pledge deposits	98,994	–	–	98,994
Cash and cash equivalents	260,392	–	–	260,392
	537,962	–	34,011	571,973

Financial liabilities

	Financial liabilities at amortise cost HK$'000
Trade and bills payables	195,523
Due to an associate	2,800
Financial liabilities included in other payables and accruals and deposits received	34,994
Interest-bearing bank borrowings	171,450
Lease liabilities	7,446
	412,213

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2022

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	42,104	42,104
Trade and bills receivables	370,601	–	–	370,601
Financial assets included in prepayments, deposits and other receivables	14,934	–	–	14,934
Financial assets at fair value through profit or loss	–	407	–	407
Pledge deposits	42,202	–	–	42,202
Cash and cash equivalents	386,874	–	–	386,874
	814,611	407	42,104	857,122

Financial liabilities

	Financial liabilities at amortise cost HK$'000
Trade and bills payables	260,778
Due to an associate	2,800
Financial liabilities included in other payables and accruals and deposits received	51,452
Interest-bearing bank borrowings	289,116
Lease liabilities	8,784
	612,930

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2023 and 2022 were assessed to be insignificant.

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

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

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of equity investments designated at fair value through other comprehensive income together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the inputs/relationship of unobservable inputs to fair value
Unlisted equity investments	Market comparison approach	Unit rates of grave plots	2023: HK$66,000 to HK$208,000 per grave plot (2022: HK$79,000 to HK$249,000 per grave plot)	5% (2022: 5%) increase/decrease in unit rates of grave plots would result in increase/decrease in fair value by HK$2,200,000 (2022: HK$2,600,000)
		Unit rates of niches	2023: HK$8,000 to HK$9,000 per niche (2022: HK$9,000 to HK$10,000 per niche)	5% (2022: 5%) increase/decrease in unit rates of niches would result in increase/decrease in fair value by HK$20,000 (2022: HK$21,000)
		Unit rates of graveyard land	2023: HK$646,000 to HK$714,000 per mu (2022: HK$698,000 to HK$771,000 per mu)	5% (2022: 5%) increase/decrease in unit rates of graveyard land would result in increase/decrease in fair value by HK$406,000 (2022: HK$414,000)
		Minority discount	2023: 20% to 30% (2022: 20% to 30%)	5% (2022: 5%) increase/decrease in minority discount would result in decrease/increase in fair value by HK$1,876,000 (2022: HK$2,458,000)
		Discount for lack of marketability	2023: 5% to 35% (2022: 5% to 35%)	5% (2022: 5%) increase/decrease in lack of marketability discount would result in decrease/increase in fair value by HK$118,000 (2022: HK$59,000)

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets measured at fair value:				
At 31 December 2023				
Equity investments designated at fair value through other comprehensive income	**–**	**300**	**33,711**	**34,011**
At 31 December 2022				
Equity investments designated at fair value through other comprehensive income	–	300	41,804	42,104
Financial assets at fair value through profit or loss	407	–	–	407
	407	300	41,804	42,511

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	2023	2022
	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January	**41,804**	47,687
Total loss recognised in other comprehensive income	**(8,093)**	(5,883)
At 31 December	**33,711**	41,804

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

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, equity investments designated at fair value through other comprehensive income, an amount due to an associate, trade and bills payables, financial liabilities included in other payables and accruals and deposits received and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 financial 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.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on deposits with banks and floating rate borrowings). There is no impact on the Group's equity, except on the retained profits.

2023	**Increase/ (decrease) in basis point**	**Increase/ (decrease) in loss before tax HK$'000**
HK$	**50**	**684**
RMB	**50**	**(729)**
HK$	**(50)**	**(684)**
RMB	**(50)**	**729**

2022	Increase/ (decrease) in basis point	Increase/ (decrease) in loss before tax HK$'000
HK$	50	968
RMB	50	(1,115)
HK$	(50)	(968)
RMB	(50)	1,115

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency 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 located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in HK$ and RMB. The Group also has significant investments in Mainland China and its consolidated statement of financial position, with a portion of its bank deposits, trade and bills receivables and payables denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK$ and RMB.

The following tables demonstrate the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (arising from RMB denominated financial instruments).

2023	**Increase/ (decrease) in RMB exchange rate %**	**Increase/ (decrease) in loss before tax HK$'000**
If HK$ weakens against RMB	**5**	**(525)**
If HK$ strengthens against RMB	**(5)**	**525**

2022	Increase/ (decrease) in RMB exchange rate %	Increase/ (decrease) in loss before tax HK$'000
If HK$ weakens against RMB	5	(3,122)
If HK$ strengthens against RMB	(5)	3,122

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 and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	99,819	25,771	–	123,955	249,545
Bills receivable*	46,393	–	–	–	46,393
Financial assets included in prepayment, deposits and other receivables					
– Normal**	4,869	–	–	–	4,869
Pledge deposits					
– Not yet past due	98,994	–	–	–	98,994
Cash and cash equivalents					
– Not yet past due	260,392	–	–	–	260,392
	510,467	25,771	–	123,955	660,193

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	368,032	368,032
Bills receivable*	78,847	–	–	–	78,847
Financial assets included in prepayment, deposits and other receivables					
– Normal**	14,934	–	–	–	14,934
– Doubtful**	–	–	2,800	–	2,800
Pledged deposits					
– Not yet past due	42,202	–	–	–	42,202
Cash and cash equivalents					
– Not yet past due	386,874	–	–	–	386,874
	522,857	–	2,800	368,032	893,689

* For trade and bills receivables, impairment analysis is disclosed in note 21 to the financial statements.

** The credit quality of the bills receivable and financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's policy is to regularly monitor the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and longer terms.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023	**On demand or within one year HK$'000**	**In the second to fifth years HK$'000**	**Total HK$'000**
Trade and bills payables	**195,523**	**–**	**195,523**
Due to an associate	**2,800**	**–**	**2,800**
Financial liabilities included in other payables and accruals and deposits received	**34,994**	**–**	**34,994**
Interest-bearing bank borrowings*	**171,450**	**–**	**171,450**
Lease liabilities	**3,901**	**4,120**	**8,021**
	408,668	**4,120**	**412,788**

2022	On demand or within one year HK$'000	In the second to fifth years HK$'000	Total HK$'000
Trade and bills payables	260,778	–	260,778
Due to an associate	2,800	–	2,800
Financial liabilities included in other payables and accruals and deposits received	51,452	–	51,452
Interest-bearing bank borrowings*	289,116	–	289,116
Lease liabilities	3,661	5,682	9,343
	607,807	5,682	613,489

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

* Included in the above interest-bearing bank borrowings of the Group are certain bank loans with a carrying amount as at 31 December 2023 of HK$171,450,000 (2022: HK$289,116,000), the banking facility letters of which contain a repayment on demand clause giving the creditor banks of the bank loans the right to call in the bank loans at any time. Accordingly, for the purpose of the above maturity profile, the contractual undiscounted payments of such bank loans of the Group are classified as "on demand or less than one year".

In accordance with the terms of the bank loans which contain a repayment on demand clause, the maturity profile of those loans as at 31 December, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Within one year HK$'000	In the second to fifth years HK$'000	Over five years HK$'000	Total HK$'000
2023	**105,812**	**35,057**	**64,242**	**205,111**
2022	219,022	35,873	63,438	318,333

Notwithstanding the above clause, the directors of the Company do not believe that such bank loans will be called in their entirety within 12 months at the end of the reporting period and they consider that the loans will be repaid in accordance with the maturity dates as set out in the banking facility letters. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements, the lack of events of defaults, and the fact that the Group has made all previously scheduled repayments on time.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 23) as at 31 December 2022. The Group's listed investments are listed on the Hong Kong, Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year 31 December 2022, and their respective highest and lowest points during the year were as follows:

	31 December 2022	High/low 2022
Hong Kong – Hang Seng Index	19,781	24,966/14,687

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

2022 Investment listed in:	Carrying amount of equity investments HK$'000	Increase/ (decrease) in rate of fair value %	Decrease/ (increase) in loss before tax HK$'000
Hong Kong – Financial assets at fair value through profit or loss	407	5/(5)	20/(20)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is bank borrowings divided by equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	HK$'000	HK$'000
Bank borrowings	**171,450**	289,116
Equity attributable to owners of the parent	**1,323,299**	1,450,569
Gearing ratio	**13.0%**	19.9%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**36**	47
Right-of-use assets	**32**	46
Interests in subsidiaries	**305,706**	324,104
Due from subsidiaries	**251,596**	265,877
Deferred tax asset	**–**	726
Loans to the CPM Group	**62,000**	–
Total non-current assets	**619,370**	590,800
CURRENT ASSETS		
Prepayments, deposits and other receivables	**983**	1,385
Cash and cash equivalents	**95,979**	195,691
Total current assets	**96,962**	197,076
CURRENT LIABILITIES		
Other payables and accruals	**3,859**	3,431
Lease liabilities	**16**	20
Total current liabilities	**3,875**	3,451
NET CURRENT ASSETS	**93,087**	193,625
TOTAL ASSETS LESS CURRENT LIABILITIES	**712,457**	784,425
NON-CURRENT LIABILITIES		
Lease liabilities	**–**	16
Deferred tax liabilities	**2**	–
Total non-current liabilities	**2**	16
Net assets	**712,455**	784,409
EQUITY		
Issued capital	**190,369**	190,369
Reserves (note)	**522,086**	594,040
Total equity	**712,455**	784,409

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contribution surplus* HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	88,970	211,045	(52,501)	399,576	647,090
Total comprehensive loss for the year	–	–	–	(14,977)	(14,977)
Final 2021 dividend declared and paid	–	(38,073)	–	–	(38,073)
At 31 December 2022 and 1 January 2023	**88,970**	**172,972**	**(52,501)**	**384,599**	**594,040**
Total comprehensive loss for the year	**–**	**–**	**–**	**(33,880)**	**(33,880)**
Final 2022 dividend declared and paid	**–**	**(38,074)**	**–**	**–**	**(38,074)**
At 31 December 2023	**88,970**	**134,898**	**(52,501)**	**350,719**	**522,086**

* A portion of the contributed surplus arose as a result of the transfer from the share premium account pursuant to a court approval obtained in 1992 for the purpose of writing off the goodwill arising on the acquisition of subsidiaries. The remaining portion of the contributed surplus arose in 1991 as a result of a group reorganisation and originally represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated net asset value of the acquired subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2024.

Schedule of Principal Properties

31 December 2023

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C, D and F, 28th Floor CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
18th Floor, CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Ground Floor No. 497 Shanghai Street Mong Kok Kowloon Hong Kong	100	Medium term	Commercial
Office Units 2506 and 2507, Block A Tianxia International Center Taoyuan Road Nanshan District Shenzhen City Guangdong Province the PRC	100	Medium term	Commercial
Units 801 and 807, 8th Floor and Car Parking Space Nos. 371 to 376 and 486 to 489 on Basement Level 1 Greenland Rongxin Commercial Centre Lane 1588 No. 499 Zhuguang Road Xujing Town Qingpu District Shanghai the PRC	100	Medium term	Commercial

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Unit H, 25/F., Qian Jiang Tower No. 971 Dongfang Road Pudong District Shanghai the PRC	100	Medium term	Commercial
Unit 4905, 49th Floor Block 4, Greenland Centre Wangjing Dongyuan Chaoyang District Beijing the PRC	100	Medium term	Commercial
Unit 703 on 7th Floor Building 13 of Keenstar Baoan District Shenzhen City the PRC	75	Medium term	Commercial
Whole Block of CHI 393 No. 391 Shanghai Street Kowloon Hong Kong	100	Medium term	Residential and commercial composite building
Shop at Ground Floor of J Link Hotel No. 11 Morrison Hill Road Wanchai Hong Kong	100	Long term	Hotel
Factory Complex No.13 Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du District Guangzhou City Guangdong Province the PRC	100	Medium term	Industrial

Schedule of Principal Properties

31 December 2023

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Industrial Complex 22 Jinshui Road Xuzhou Economic Development District Xuzhou City Jiangsu Province the PRC	75	Medium term	Industrial
Industrial Complex Nos. 3889 and 3899 Waiqingsong Highway Qingpu District Shanghai the PRC	75	Medium term	Industrial
Yabian Industrial Zone Shajing Town Bao'an District Shenzhen City the PRC	75	Medium term	Industrial
Industrial Complex Jie Min Village San Jiao Town Zhongshan City Guangzhou Province the PRC	75	Medium term	Industrial
Industrial Complex The intersection of Road No.4 and Road No.3 in South of Gedian Development Zone Ezhou City Hubei Province the PRC	75	Medium term	Industrial

Schedule of Principal Properties

31 December 2023

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Industrial Complex Road No. 4 Industrial Park No. 2 Gedian Development Zone Ezhou City Hubei Province the PRC	67.9	Medium term	Industrial
Units 2301-2, 2501-2, 2601-2 of Block B and 2603-4, 2703-4 of Block C Phase 3, Philippe Castle Interchange of Xin Sha Road and Huan Zhen Road Shajing Street Baoan District Shenzhen City Guangdong Province the PRC	100	Medium term	Residential
Flat Nos. 1003, 1103, 1203, 1303 and 1403 10th Floor to 14th Floor Unit 2 of Block 2, Zone 1 and Car Parking Spaces Nos. 069 and 076 on Basement Level 1 Feicui Pearl Yayuan No. 36 Yuewan Road Sanijao Town Zhongshan City Guangdong Province the PRC	100	Medium term	Residential

Schedule of Principal Properties

31 December 2023

PROPERTIES UNDER DEVELOPMENT

Location	Percentage of interest in property attributable to the Group	Existing use	Approximate site/gross floor area	Expected completion date	Stage of completion
Lot Nos. 879, 880S.A. SS1 880S.B. SS1, 881 to 885 889R.P., 891, 1318 1326 and 1344 in Demarcation District No. 115 Au Tau Yuen Long New Territories Hong Kong	100	Agricultural and house lots	3,700 sq. m.	N/A	Pending for development

Glossary

Share Option Scheme	The share option scheme adopted by the Company on 2 June 2022
AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Board
AGM	Annual general meeting of the Company
Board	The board of Directors
Bye-laws	The bye-laws of the Company
CG Code	The provisions under Part 2 of the Corporate Governance Code contained in Appendix 14 (which has been reorganised as Appendix C1 with effect from 31 December 2023) to the Listing Rules
Chairman	The chairman of the Company
Companies Act	The Companies Act 1981 of Bermuda
Company	CNT Group Limited
Company Secretary	The company secretary of the Company
COVID-19	Coronavirus Disease 2019
CPM	CPM Group Limited (中漆集團有限公司), a company incorporated in the Cayman Islands with limited liability, with its shares listed on the Main Board of the Stock Exchange (stock code: 1932), and a non wholly-owned subsidiary of the Company
CPM Board	The board of directors of CPM
CPM Group	CPM and its subsidiaries
CPM Invested Entity	Any entity in which any member of the CPM Group holds any equity interest
CPM Scheme	The share option scheme adopted by CPM on 4 June 2020
CPM Share(s)	Ordinary share(s) of HK$0.10 each in the capital of CPM
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Invested Entity	Any entity in which any member of the Group holds any equity interest
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company

Glossary

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (which has been reorganised as Appendix C3 with effect from 31 December 2023) to the Listing Rules
NC Chairman	The chairman of the Nomination Committee
NC or Nomination Committee	The nomination committee of the Board
PRC	The People's Republic of China
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Board
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK$0.10 each in the capital of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the meaning as defined in the Listing Rules

CNT GROUP LIMITED
北海集團有限公司