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ISP HOLDINGS LIMITED

昇柏控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 02340)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of ISP Holdings Limited (the “Company” or “ISP Holdings”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 (the “Reporting Year”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
<u>Continuing Operations</u>			
Revenue	4	430,651	385,597
Cost of sales and service		(413,155)	(420,096)
Gross profit/(loss)		17,496	(34,499)
Other income and gain or loss	5	8,272	8,752
General and administrative expenses		(36,754)	(48,602)
Interest expenses		(2,878)	(10,275)
Net allowances for impairment losses on receivables and contract assets		(243)	(8,165)
Loss before taxation	6	(14,107)	(92,789)
Taxation	8	(1,339)	(6,482)
Loss for the year from Continuing Operations		(15,446)	(99,271)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
Loss for the year from Continuing Operations		<u>(15,446)</u>	<u>(99,271)</u>
<u>Discontinued Operations</u>			
Profit for the year from Discontinued Operations	7A	<u>35,058</u>	<u>113,484</u>
Profit for the year attributable to equity holders of the Company		<u>19,612</u>	<u>14,213</u>
Other comprehensive (loss)/income:			
<u>Items that will not be reclassified to profit or loss:</u>			
Actuarial loss on long service payment liabilities		(999)	(1,186)
<u>Items that may be subsequently reclassified to profit or loss:</u>			
Exchange differences on translating foreign operations		<u>882</u>	<u>1,795</u>
Other comprehensive (loss)/income for the year		<u>(117)</u>	<u>609</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>19,495</u>	<u>14,822</u>
Total comprehensive income for the year attributable to equity holders of the Company arises from			
- Continuing Operations		(14,574)	(97,855)
- Discontinued Operations		<u>34,069</u>	<u>112,677</u>
		<u>19,495</u>	<u>14,822</u>
<u>From Continuing Operations and Discontinued Operations</u>			
Earnings per share attributable to the equity holders of the Company			
- basic (HK cents)	9	<u>4.6</u>	<u>3.3</u>
- diluted (HK cents)	9	<u>3.9</u>	<u>2.8</u>
<u>From Continuing Operations</u>			
Losses per share attributable to the equity holders of the Company			
- basic (HK cents)	9	<u>(3.6)</u>	<u>(23.4)</u>
- diluted (HK cents)	9	<u>(3.1)</u>	<u>(19.7)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

		2021	2020
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		4,039	18,420
Investment properties		-	6,800
Deferred tax assets		268	1,167
Total non-current assets		<u>4,307</u>	<u>26,387</u>
Current assets			
Contract assets		139,628	90,337
Receivables	11	104,348	270,259
Deposits and prepayments		2,906	25,272
Taxation recoverable		96	106
Cash and cash equivalents		82,661	205,082
Pledged bank deposits/time deposits with original maturities over three months		-	10,755
		<u>329,639</u>	<u>601,811</u>
Assets classified as held for sale	7B	<u>188,017</u>	-
Total current assets		<u>517,656</u>	<u>601,811</u>
Current liabilities			
Payables and accruals	12	265,673	345,630
Contract liabilities		497	13,583
Bank loans	13	-	64,000
Convertible bonds	15	-	38,912
Lease liabilities	14	1,901	7,652
Amount due to the Disposal Group		333	-
Taxation payable		9	6,662
		<u>268,413</u>	<u>476,439</u>
Liabilities classified as held for sale	7B	<u>87,457</u>	-
Total current liabilities		<u>355,870</u>	<u>476,439</u>
Net current assets		<u>161,786</u>	<u>125,372</u>
Total assets less current liabilities		<u>166,093</u>	<u>151,759</u>

		2021	2020
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Long service payment liabilities		133	1,516
Lease liabilities	14	854	4,376
Deferred tax liabilities		129	385
Total non-current liabilities		<u>1,116</u>	<u>6,277</u>
Net assets		<u>164,977</u>	<u>145,482</u>
Equity attributable to equity holders of the Company			
Share capital	16	50,486	50,486
Reserves		114,491	94,996
Total equity		<u>164,977</u>	<u>145,482</u>

Notes to the Financial Statements

1. General Information

ISP Holdings Limited (the “Company”), formerly known as Synergis Holdings Limited, was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company on 4 August 2003. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 October 2003.

The principal business of the Group is engaged in the provision of property and facility management services, ancillary business and interiors and special projects in Hong Kong and China.

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$), unless otherwise stated, and were approved for issue by the Board on 29 March 2022.

2. Adoption of Hong Kong Financial Reporting Standards (“HKFRSs”)

(a) Adoption of new/revised standards – effective 1 January 2021

The HKICPA has issued a number of new or amended standards, interpretations and amendments to standards that are first effective for the current accounting period of the Group:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

The amended standards that are effective from 1 January 2021 did not have any material impact on the Group’s accounting policies.

The Group has early adopted the amendment to HKFRS 16. The adoption of the amendment to HKFRS 16 did not have any significant impact on current or future periods.

(b) New/revised standards that have been issued but are not yet effective

The following new/revised standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the current financial year. The Group's current intention is to apply these changes on the date they become effective. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. Segment Information

In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, identified as the Executive Committee of the Company, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments and their results are as below:

- property and facility management services in Hong Kong (“PFM HK Business”) and China (“PFM China Business”);
- ancillary business including integrated procurement, laundry, cleaning, security, maintenance and technical support services (“Ancillary Business”); and
- interiors and special projects (“ISP Business”).

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in these financial statements.

As discussed in note 7, the Group no longer carried on the PFM HK Business and the Ancillary Business (collectively, the “Disposal Group”) upon the disposal subsequently completed on 10 January 2022. The results of this segment have been classified as discontinued operations of the Group for the years ended 31 December 2021 and 2020.

Segment Results (in HK\$'000)

2021	Continuing Operations			Discontinued Operations			Corporate Overhead (Note)	Intra Group Elimination	Total
	ISP Business	PFM China Business	Subtotal	PFM HK Business	Ancillary Business	Subtotal			
Revenue									
- At a point in time	-	-	-	-	12,182	12,182	-	-	12,182
- Over time	418,875	11,776	430,651	614,878	148,304	763,182	-	(4,027)	1,189,806
	418,875	11,776	430,651	614,878	160,486	775,364	-	(4,027)	1,201,988
Gross Profit	8,849	8,647	17,496	67,104	27,762	94,866	-	(4,268)	108,094
<i>Gross Profit Margin</i>	2.1%	73.4%	4.1%	10.9%	17.3%	12.2%	-		9.0%
Operating expenses	(10,761)	(8,703)	(19,464)	(44,715)	(9,935)	(54,650)	(9,191)	9,445	(73,860)
Loss on early redemption of Convertible Bonds	(2,005)	-	(2,005)	-	-	-	-	-	(2,005)
Interest expenses	(2,658)	-	(2,658)	-	-	-	-	-	(2,658)
Operating (Loss)/Profit	(6,575)	(56)	(6,631)	22,389	17,827	40,216	(9,191)	5,177	29,571
<i>Operating (Loss)/Profit Margin</i>	-1.6%	-0.5%	-1.5%	3.6%	11.1%	5.2%	-		2.5%
Direct cost in relation to the disposal			-			(2,082)	(6,337)	-	(8,419)
Interest expenses for lease			(220)			(293)	-	-	(513)
Other income			3,095			2,957	5,177	(5,177)	6,052
(Loss)/Profit before taxation			(3,756)			40,798	(10,351)	-	26,691
Taxation			(1,339)			(5,740)	-	-	(7,079)
(Loss)/Profit for the year			(5,095)			35,058	(10,351)	-	19,612

Note: Corporate overhead mainly represents corporate and administrative activities, and shared services.

	Continuing Operations			Discontinued Operations			Corporate Overhead (Note)	Intra Group Elimination	Total
	ISP Business	PFM China Business	Subtotal	PFM HK Business	Ancillary Business	Subtotal			
2020									
Revenue									
- At a point in time	-	-	-	-	13,017	13,017	-	-	13,017
- Over time	374,803	10,794	385,597	626,225	107,151	733,376	-	(4,334)	1,114,639
	374,803	10,794	385,597	626,225	120,168	746,393	-	(4,334)	1,127,656
Gross (Loss)/Profit	(44,313)	9,814	(34,499)	66,942	22,289	89,231	-	(4,594)	50,138
<i>Gross (Loss)/Profit Margin</i>	-11.8%	90.9%	-8.9%	10.7%	18.5%	12.0%	-		4.4%
Operating expenses	(29,455)	(8,999)	(38,454)	(38,498)	(12,116)	(50,614)	(8,120)	9,449	(87,739)
Interest expenses	(9,841)	-	(9,841)	-	-	-	-	-	(9,841)
Operating (Loss)/Profit	(83,609)	815	(82,794)	28,444	10,173	38,617	(8,120)	4,855	(47,442)
<i>Operating (Loss)/Profit Margin</i>	-22.3%	7.6%	-21.5%	4.5%	8.5%	5.2%	-		-4.2%
Settlement of an insurance claim			(10,193)			-	-	-	(10,193)
Operating (Loss)/Profit after settlement of an insurance claim			(92,987)			38,617	(8,120)	4,855	(57,635)
Interest expenses for acquisition loan			-			-	(190)	-	(190)
Interest expenses for lease			(244)			(239)	-	-	(483)
Other income			3,897			81,966	4,855	(4,855)	85,863
(Loss)/Profit before taxation			(89,334)			120,344	(3,455)	-	27,555
Taxation			(6,482)			(6,860)	-	-	(13,342)
(Loss)/Profit for the year			(95,816)			113,484	(3,455)	-	14,213

Note: Corporate overhead mainly represents corporate and administrative activities, and shared services.

5. Other Income and Gain or Loss

	2021 HK\$'000	2020 HK\$'000 (Restated)
<u>Continuing Operations</u>		
Government subsidies (Note)	-	4,651
Bank interest income	146	342
Miscellaneous income	3,174	641
Exchange loss	(225)	(348)
Loss on disposal of property, plant and equipment	-	(1,389)
Corporate service support for the Disposal Group	5,177	4,855
	<u>8,272</u>	<u>8,752</u>

Note: Predominantly comprised of subsidies from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund of the Hong Kong Government, which aim to retain employment and combat Covid-19. As a condition of receiving the subsidies from ESS, the Group undertook not to make redundancies by 30 November 2020

6. Loss before Taxation

	2021 HK\$'000	2020 HK\$'000 (Restated)
<u>Continuing Operations</u>		
Loss before taxation is arrived after charging:		
Staff costs, including directors' emoluments	52,238	74,065
Depreciation of property, plant and equipment	721	1,598
Depreciation of right-of-use assets	3,639	5,149
Auditor's remuneration		
-Audit	2,350	1,220
-Non-audit	148	148
Short-term lease expenses	310	395

7. Discontinued Operations

Pursuant to the announcement of the Company dated 1 December 2021, the seller, being the Company, and purchaser entered into the sale and purchase agreement on 26 November 2021, pursuant to which the seller conditionally agreed to sell, and the purchaser conditionally agreed to acquire, the share capital, representing 100% of the equity interest in the target company, which in turn hold the equity interests of the Disposal Group, at a cash consideration of HK\$539.0 million. The Disposal Group is principally engaged in the provision of PFM HK Business and Ancillary Business. Upon completion, members of the Disposal Group will cease to be subsidiaries of the Company. The transaction was approved conditionally by the equity holders on 23 December 2021 and subsequently completed on 10 January 2022.

There are 2 operations discontinued along with the completion of the Disposal Group as set out below:

- i) PFM HK Business; and
- ii) Ancillary Business including integrate procurement, laundry, cleaning, security, maintenance and technical support services.

The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operations. The respective profit for the year ended 31 December 2021 and 2020 from the Disposal Group is set out below.

7A Results of the Discontinued Operations included in the consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	PFM HK Business HK\$'000	Ancillary Business HK\$'000	Total HK\$'000
Revenue	614,878	160,486	775,364
Cost of sales and service	(547,774)	(132,724)	(680,498)
Gross profit	<u>67,104</u>	<u>27,762</u>	<u>94,866</u>
Other income	2,872	85	2,957
General and administrative expenses	(41,663)	(10,129)	(51,792)
Interest expenses	(185)	(108)	(293)
Net allowances for impairment losses on receivables and contract assets	43	194	237
Profit before taxation	<u>28,171</u>	<u>17,804</u>	<u>45,975</u>
Taxation	(3,310)	(2,430)	(5,740)
Profit for the year	<u>24,861</u>	<u>15,374</u>	<u>40,235</u>
Intragroup elimination of revenue due to the Group	(5,177)	-	(5,177)
Profit for the year attributable to the Group	<u>19,684</u>	<u>15,374</u>	<u>35,058</u>

For the year ended 31 December 2020

	PFM HK Business HK\$'000	Ancillary Business HK\$'000	Total HK\$'000
Revenue	626,225	120,168	746,393
Cost of sales and service	(559,283)	(97,879)	(657,162)
Gross profit	<u>66,942</u>	<u>22,289</u>	<u>89,231</u>
Other income	72,127	9,839	81,966
General and administrative expenses	(33,614)	(12,170)	(45,784)
Interest expenses	(149)	(90)	(239)
Net allowances for impairment losses on receivables and contract assets	(29)	54	25
Profit before taxation	<u>105,277</u>	<u>19,922</u>	<u>125,199</u>
Taxation	(4,869)	(1,991)	(6,860)
Profit for the year	<u>100,408</u>	<u>17,931</u>	<u>118,339</u>
Intragroup elimination of revenue due to the Group	(4,855)	-	(4,855)
Profit for the year attributable to the Group	<u>95,553</u>	<u>17,931</u>	<u>113,484</u>

7B Asset classified as held for sale and liabilities associated with assets classified as held for sale

	2021 HK\$'000
Total assets classified as held for sale	
Plant and equipment	10,169
Investment properties	6,800
Deferred tax assets	860
Contract assets	328
Receivables	137,754
Prepayments and deposits	18,797
Amount due from Continuing Operations	333
Taxation recoverable	1,912
Cash and cash equivalents	9,803
Pledged bank deposits/time deposits with original maturities over three months	1,261
Total assets classified as held for sale	<u>188,017</u>
Total liabilities classified as held for sale	
Payables and accruals	64,106
Contract liabilities	12,684
Lease liabilities	7,304
Taxation payable	1,383
Long services payment liabilities	1,903
Deferred tax liabilities	77
Total liabilities classified as held for sale	<u>87,457</u>

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits/(loss) for the year after application of available tax losses brought forward for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income represents:

	2021	2020
	HK\$'000	HK\$'000
		(Restated)
<u>Continuing Operations</u>		
Current taxation		
Hong Kong profits tax		
- provision for the year	1,432	1,438
- over provision in prior years	(162)	(65)
Deferred taxation	69	5,109
	1,339	6,482

9. Earnings/Losses Per Share

(a) Basic earnings/(losses) per share is calculated by dividing the Group's profit/loss attributable to the equity holders less dividends (if any) to convertible preference shareholders by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit/(loss) attributable to equity holders (HK\$'000)		
- Continuing Operations and Discontinued Operations	19,612	14,213
- Continuing Operations	(15,446)	(99,271)
Weighted-average ordinary shares issued ('000)	424,850	424,850
Basic earnings/(losses) per share (HK cents)		
- Continuing Operations and Discontinued Operations	4.6	3.3
- Continuing Operations	(3.6)	(23.4)

- (b) Diluted earnings/(losses) per share for the Reporting Year is calculated by dividing the Group's profit/loss attributable to the equity holders by the weighted-average ordinary shares outstanding after adjusting for the potential ordinary shares to be issued on convertible preference shares and convertible bonds. The calculation of the diluted earnings/(losses) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2021	2020
Earnings/(losses)		
Earnings/(losses) for the purposes of basic earnings/losses per share (HK\$'000)		
- Continuing Operations and Discontinued Operations	19,612	14,213
- Continuing Operations	<u>(15,446)</u>	<u>(99,271)</u>
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds (net of tax) (HK\$'000)	<u>-</u>	<u>-</u>
Earnings/(losses) for the purposes of diluted earnings/(losses) per share (HK\$'000)		
- Continuing Operations and Discontinued Operations	19,612	14,213
- Continuing Operations	<u>(15,446)</u>	<u>(99,271)</u>
Number of share		
Weighted-average ordinary shares issued ('000)	424,850	424,850
Effect of dilutive potential ordinary shares:		
- Convertible preference shares ('000)	80,000	80,000
- Convertible bonds ('000) (Note)	<u>-</u>	<u>-</u>
	<u>80,000</u>	<u>80,000</u>
Weighted-average ordinary shares for calculating diluted earnings/(losses) per share ('000)	<u>504,850</u>	<u>504,850</u>
Diluted earnings/(losses) per share (HK cents)		
- Continuing Operations and Discontinued Operations	3.9	2.8
- Continuing Operations	<u>(3.1)</u>	<u>(19.7)</u>

Note: The effect of any potential exercise of convertible bonds is excluded from the calculation of diluted earnings per share for the year ended 31 December 2020 and 2021 when the effect would be anti-dilutive.

Discontinued Operations

For the year ended 31 December 2021, basic and diluted earnings per share for the discontinued operations was 8.3 HK cents and 6.9 HK cents respectively (2020: 26.7 HK cents and 22.5 HK cents respectively), based on the profit for the year from discontinued operations attributable to owners of the Company of HK\$35,058,000 (2020: HK\$113,484,000) and the denominators detailed above for both basic and diluted potential ordinary shares.

10. Dividend

Subsequent to the end of the Reporting Year, with the completion of the disposal of PFM HK Business and the Ancillary Business having taken place on 10 January 2022, the Board resolved at Board meeting held on 20 January 2022 to declare the payment of special dividend of HK\$0.59 per share/per Convertible Preference Share.

At a meeting held on 29 March 2022, the Board resolved not to declare final dividend for the Reporting Year (2020: Nil).

11. Receivables

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days (2020: 30 to 60 days) and the majority of the Group's accounts receivable are denominated in Hong Kong dollars. The ageing analysis of accounts receivable by invoice date is as follows:

	2021	2020
	HK\$'000	HK\$'000
Accounts receivable		
0 to 30 days	64,690	60,967
31 to 60 days	30,861	41,734
61 to 90 days	10,993	11,104
Over 90 days	35,934	40,043
	142,478	153,848
Retention receivables and other receivables	105,480	122,485
	247,958	276,333
Impairment of accounts receivable, retention receivables and other receivables	(5,856)	(6,074)
	242,102	270,259
Transfer to Disposal Group classified as held-for-sale	(137,754)	-
	104,348	270,259

Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 31 December 2021, retention receivables held by customers for contract works amounting to approximately HK\$4,378,000 (2020: HK\$9,398,000) are expected to be recovered or settled in more than 12 months from the end of the reporting period, all of the remaining balances are expected to be recovered or settled within one year. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

12. Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days (2020: 30 to 60 days). The ageing analysis of accounts payable by invoice date is as follows:

	2021	2020
	HK\$'000	HK\$'000
Accounts payable		
0 to 30 days	171,859	152,828
31 to 60 days	6,214	14,235
61 to 90 days	6,098	8,116
Over 90 days	27,370	23,595
	211,541	198,774
Retention payables, other payables and accruals	118,238	146,856
	329,779	345,630
Transfer to Disposal Group classified as held-for-sale	(64,106)	-
	265,673	345,630

Retention payables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 31 December 2021, retention payables held by the Group amounting to approximately HK\$2,832,000 (2020: HK\$6,302,000) are expected to be settled in more than 12 months from the end of the Reporting Year.

13. Bank Loans

	2021	2020
	HK\$'000	HK\$'000
Bank loans contains a clause of repayment on demand:		
- Portion due for repayment within one year	-	64,000
	-	64,000

Notes:

- (a) During the year ended 31 December 2021, the Group's bank loans were fully settled.
- (b) As at 31 December 2020, the Group had bank loans of HK\$64.0 million denominated in Hong Kong dollars and carried weighted average interest rates of 2.7% per annum.
- (c) As at 31 December 2020, the Group's term loan of HK\$29.0 million is subject to a floating charge over the assets of the Company and its subsidiaries and personally guaranteed by an indirect controlling shareholder.
- (d) The carrying amounts of loans approximate their fair values.

14. Leases Liabilities

	Leasehold land and buildings HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 1 January 2020	9,144	961	10,105
Additions	12,339	-	12,339
Interest expenses	447	36	483
Lease payments	(10,424)	(442)	(10,866)
Exchange differences	(33)	-	(33)
At 31 December 2020 and 1 January 2021	11,473	555	12,028
Additions	7,635	484	8,119
Termination	(1,158)	(89)	(1,247)
Interest expenses	491	22	513
Lease payments	(9,016)	(333)	(9,349)
Exchange differences	(5)	-	(5)
At 31 December 2021	9,420	639	10,059
Transfer to Disposal Group classified as liabilities held for sale	(6,828)	(476)	(7,304)
	2,592	163	2,755

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	7,270	(310)	6,960
Later than one year and not later than two years	2,939	(58)	2,881
Later than two years and not later than five years	222	(4)	218
At 31 December 2021	<u>10,431</u>	<u>(372)</u>	<u>10,059</u>
Transfer to Disposal Group classified as liabilities held for sale	(7,576)	272	(7,304)
	<u>2,855</u>	<u>(100)</u>	<u>2,755</u>

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	8,002	(350)	7,652
Later than one year and not later than two years	3,536	(116)	3,420
Later than two years and not later than five years	973	(17)	956
At 31 December 2020	<u>12,511</u>	<u>(483)</u>	<u>12,028</u>

15. Convertible Bonds

The Company issued 84.0 million, 7% convertible bonds with a principal amount of HK\$42.0 million on 18 November 2019. The convertible bonds are denominated in Hong Kong dollars. The bonds will mature by two years from the issue date with repayment of principal amount or can be converted into ordinary shares of the Company at the holder's option at the fixed rate of one share per HK\$0.5 of the outstanding principal.

The fair values of the liability component and the equity conversion component were valued by independent professional valuer, Pretium Advisory Services Limited, at the issuance of the convertible bonds and not subject to annual revaluation. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity net of deferred income taxes.

The Convertible Bonds were redeemed in full during the year ended 31 December 2021. Following the redemption, there was no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into ordinary shares of the Company.

The convertible bonds recognized in the statement of financial position is calculated as follows:

	2021	2020
	HK\$'000	HK\$'000
Equity component at 31 December	-	5,180
Liability component at 1 January	38,912	35,882
Interest expenses	2,042	5,970
Interest paid	(959)	(2,940)
Repayment of Convertible Bonds	(42,000)	-
Loss on early redemption of Convertible Bonds	2,005	-
Liability component at 31 December	-	38,912

Interest expenses on the convertible bonds are calculated using the effective interest method by applying the effective interest rate of 17.1% to the liability component. None of the convertible bonds were redeemed or converted during the year.

16. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares		
At 31 December 2020, 1 January 2021 and 31 December 2021	424,850	42,486
Convertible preference shares		
At 31 December 2020, 1 January 2021 and 31 December 2021	80,000	8,000
Ordinary shares and convertible preference shares issued and fully paid		
At 31 December 2021	504,850	50,486
At 31 December 2020	504,850	50,486

DIVIDEND

The Board resolved not to recommend a final dividend for the Reporting Year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 May 2022 to Friday, 20 May 2022, both days inclusive (Hong Kong time), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 Annual General Meeting. In order to be eligible to attend and vote at the 2022 Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 13 May 2022 (Hong Kong time).

During the period mentioned above, no transfers of shares of the Company will be registered.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

HK\$' million	Year ended 31 December 2020		Change	
	2021	(Restated)	Amount	%
<u>Continuing Operations</u>				
Revenue	430.7	385.6	45.1	↑ 11.7%
Gross profit / (loss)	17.5	(34.5)	52.0	↑ 150.7%
Gross profit / (loss) margin	4.1%	-8.9%	-	↑ 13.0%
Operating expenses (excluding interest)	(30.7)	(46.6)	15.9	↓ 34.1%
Interest expenses	(2.9)	(10.3)	7.4	↓ 71.8%
Other income and gain or loss	8.3	8.8	(0.5)	↓ 5.7%
Settlement of an insurance claim	-	(10.2)	10.2	↓ 100.0%
Direct cost in relation to the disposal	(6.3)	-	(6.3)	-
Taxation	(1.3)	(6.5)	5.2	↓ 80.0%
Loss after taxation	(15.4)	(99.3)	83.9	↓ 84.5%
LBITDA	(4.8)	(76.5)	71.7	↑ 93.7%
Basic losses per share (HK cents)	(3.6)	(23.4)	19.8	↑ 84.6%
<u>Discontinued Operations</u>				
Profit after taxation	35.0	113.5	(78.5)	↓ 69.2%
EBITDA	48.9	130.7	(81.8)	↓ 62.6%
<u>Continuing Operations & Discontinued Operations</u>				
Profit attributable to shareholders	19.6	14.2	5.4	↑ 38.0%
Basic earnings per share (HK cents)	4.6	3.3	1.3	↑ 39.4%

Continuing Operations

The continuing operations of the Group comprised the interior and special projects (“ISP Business”) and the property management and facility management in China (“PFM China Business”) which together reported revenue of approximately HK\$430.7 million for the year ended 31 December 2021 (the “Reporting Year”), representing an increase of 11.7% over that of last year (2020: HK\$385.6 million). The gross profit was approximately HK\$17.5 million for the Reporting Year, which is a turnaround from the substantial gross loss of approximately HK\$34.5 million reported last year caused by provisions for losses recognised last year on certain ISP Business projects.

The Group recorded a loss after tax from the continuing operations of approximately HK\$15.4 million for the Reporting Year as compared to a loss after tax of approximately HK\$99.3 million for last year. Aside from the turnaround in gross profit, the improvement in results from continuing operations is attributable to (i) costs of approximately HK\$10.2 million relating to employees' compensation insurance claim recorded last year had not recurred in the Reporting Year; (ii) certain corporate overheads were absorbed in the results from the discontinued operations in the Reporting Year; (iii) decrease in finance cost by approximately HK\$7.4 million in the Reporting Year as the operating activities generated substantial net cash to lessen the Group's reliance on external financing; (iv) partly offset by professional fees of approximately HK\$6.3 million incurred in relation to disposal of the property management and facility management in Hong Kong ("PFM HK Business") and ancillary business ("Ancillary Business") (collectively, the "Disposal Group") in the Reporting Year. Loss per share for the continuing operations of the Group was 3.6 HK cents (2020: loss per share was 23.4 HK cents).

Discontinued Operations

Discontinued operations of the Group comprised the PFM HK Business and the Ancillary Business, which were disposed to a third party on 10 January 2022. The PFM HK Business and the Ancillary Business remained relatively stable in the Reporting Year. The profit after tax dropped to approximately HK\$35.0 million for the Reporting Year as compared to approximately HK\$113.5 million for 2020, which included government anti-epidemic subsidies of approximately HK\$81.3 million, while only small amount of government subsidies was taken up in the Reporting Year.

Continuing Operations and Discontinued Operations

Including both the continuing operations and discontinued operations, profit attributable to shareholders for the Group was approximately HK\$19.6 million (2020: profit attributable to shareholders was HK\$14.2 million). Earnings per share of the Group for the Reporting Year were 4.6 HK cents (2020: earnings per share were 3.3 HK cents).

BUSINESS REVIEW AND PROSPECTS

Business Overview

During the Reporting Year, the Group's business comprised the ISP Business and the PFM China Business, which together constituted the continuing operations, and the PFM HK Business and the Ancillary Business, which were disposed to a third party on 10 January 2022 and is therefore classified as discontinued operations in the financial statements for the Reporting Year.

Continuing Operations of the Group

Continuing Operations of the Group Before Intercompany Elimination with Discontinued Operations

HK\$' million	ISP Business				PFM China Business			
	2021	2020 (Restated)	Amount	Change %	2021	2020 (Restated)	Amount	Change %
Revenue	418.9	374.8	44.1	↑11.8%	11.7	10.8	0.9	↑8.3%
Gross Profit/(Loss)	8.9	(44.3)	53.2	↑120.1%	8.6	9.8	(1.2)	↓12.2%
Operating Expenses	(12.8)	(29.5)	16.7	↓56.6%	(8.7)	(9.0)	0.3	↓3.3%
Interest Expenses	(2.7)	(9.8)	7.1	↓72.4%	-	-	-	-
Operating (Loss)/ Profit before Settlement of an insurance claim	(6.6)	(83.6)	77.0	↓92.1%	(0.1)	0.8	(0.9)	↓112.5%
Settlement of an insurance claim	-	(10.2)	10.2	↓100.0%	-	-	-	-
Operating (Loss)/ Profit	(6.6)	(93.8)	87.2	↓93.0%	(0.1)	0.8	(0.9)	↓112.5%
Government Subsidies (Note)	-	4.7	(4.7)	↓100.0%	-	-	-	-
Others	3.1	(0.7)	3.8	↓542.9%	(0.2)	(0.3)	0.1	↓33.3%
Taxation	(1.3)	(6.5)	5.2	↓80.0%	-	-	-	-
Net (Loss)/Profit	(4.8)	(96.3)	91.5	↑95.0%	(0.3)	0.5	(0.8)	↓160.0%

Note : Government subsidies – Employment Support Scheme launched by the Government of HKSAR last year.

ISP Business

Before the sudden outbreak of Omicron variant of COVID-19 near the end of Reporting Year, the business activities started to regain its momentum in the second half of the Reporting Year with effective measures against the COVID-19. Our ISP Business took the opportunity to complete the existing projects and tendered for new projects to replenish our workload. With the past good performance in the industry, ISP Business was awarded two significant contracts in the second half of the Reporting Year.

The ISP Business, which has been in operation since 2006, had completed over 244 projects with a total contract sum of over HK\$9.0 billion up to 31 December 2021 covering a large variety of services, including interior design, fitting out, renovation and conservation, addition and alteration works (“A&A works”), construction, maintenance, and buildability and feasibility studies for building related projects, to its local customers.

2021 was a challenging year for ISP Business as market showed only slight recovery from weakened economy caused COVID-19 outbreak since 2020 and competition in the industry remained stiff. The Group focused working on projects workload carried down from previous year and completed several significant projects in the Reporting Year. The total revenue of ISP Business recorded an increase of 11.8% which was approximately HK\$418.9 million (2020: HK\$374.8 million) in the Reporting Year. Despite taking into account a downward adjustment of HK\$17.7 million in revenue for work done on a completed project which has been billed but not been paid. Albeit the Group is preparing for legal action to recoup the unpaid sum in relation to the aforesaid project, a downward revenue adjustment was made for the Reporting Year according to prudent application of relevant accounting standards. Also, several projects were deferred due to late handover of the sites and the revenue was recognized less than forecasted in the Reporting Year. This segment saw a gross profit of approximately HK\$8.9 million, which is a turnaround from gross loss of approximately HK\$44.3 million for 2020. The turnaround is mainly due to the impairment loss of over HK\$90.0 million recognised on certain ISP Business projects last year. Other than the aforesaid revenue adjustment, the Group has largely overcome further negative impacts from unfavourable projects and has focused on strengthening its ISP Business during the Reporting Year. The significant contribution from projects completed in the Reporting Year mainly came from 4 key projects including annex works and enhancement works for two international schools in Homantin and Shatin respectively, a temple remodeling in Kowloon Tong and the A&A works for a commercial center in Causeway Bay.

The operating loss before settlement of an insurance claim against QBE Hongkong and Shanghai Insurance Limited of ISP Business for the Reporting Year was approximately HK\$6.6 million, which was 92.1% decrease from the substantial operating loss of approximately HK\$83.6 million in 2020.

With the hard works of our management team amid the uncertainty of external economic environment, we have been awarded several new major contracts with a total contract sum of approximately HK\$378.0 million during the Reporting Year, which was 3 times over last year (2020: HK\$120 million), to replenish the workload for the coming two years. New major contracts awarded included fitting out works at Wong Chuk Hang Road, Yin Chong Street and a temple in Tsimshatsui, main contract works for redevelopment in Peak Road and superstructure in Bisney Road. Including these contracts, the total outstanding workload for contracts on hand as of 31 December 2021 was approximately HK\$329.0 million, a majority of which is expected to be recognized in 2022. As at the report date, ISP Business had tendered for 9 projects and pended for the result, including new build, rehabilitation, A&A works and fitting out works, with the total contract sum over HK\$1.2 billion. These new projects would bring in substantial income to the Group in the next few years if awarded.

In early 2022, the outbreak of Omicron gave a serve punch to Hong Kong economy. The tightening of social distancing measures, travel restriction and isolation measures further reduced economic activities and even lead to halt the local operation, in particular retail and restaurant. Business operators and property owners took a more prudent business approach and deferred or even abandoned fitting-out, A&A works or new construction project. During this tough period, we shall focus more on the emerging opportunity from clients of education sector, luxury residential sector, bank and offices, religious groups which are relatively less susceptible to during economic downturn.

The Group expects that government policies and social trends would provide with our ISP Business with potential business opportunities, which in turn would increase our market share in two prospectives.

The demand for fitting-out works would be driven by the following factors:

- continuous supply of residential units supported by restriction policies such as the Land Sharing Pilot Scheme;
- improving living standards of Hong Kong residents with higher willingness to pay for premium services and high quality living environment;
- the increasing demand for relocation of office to other new emerging commercial districts like Kowloon East, Quarry Bay, Tai Koo and Kwun Tong;
- increasing number of ageing buildings in Hong Kong, which require external wall renovation works;
- the sale and development of commercial or residential buildings under the 2022–2023 Land Sale Program; and
- outbreak of COVID-19 leading to a number of upgrade and enhancement projects from hotels.

The demand for repair, maintenance, alteration and addition works (“RMAA”) would be driven by the following factors:

- rising awareness of the needs for regular inspection and maintenance of public facilities, in particular after the damage of public facilities during the social unrest in 2019;
- promotion of building safety, health and environmental standards for private buildings;
- improvement of the quality of building developments according to the 2022/23 Hong Kong Budget, and
- increase in new town development projects coupled with the corresponding increase in number of public facilities in these new development regions, including playgrounds, hospitals, sports centres, schools, and other recreational facilities.

Given the overall construction industry in Hong Kong is anticipated to grow over the next few years, the Directors are confident that there will be considerable business opportunities and growth impetus in the market to justify the Group's expansion plan on ISP Business to gain further market share and position.

PFM China Business

The performance of PFM China Business remained stable with 5 new contracts awarded with the sum of approximately HK\$5.6 million in Shanghai, Ningbo and Qingdao. However, this segment suffered an operating loss of HK\$0.1 million for the Reporting Year compared to a profit of HK\$0.8 million last year, mainly due to no bad debt recovery and supportive remedies for novel coronavirus from central government as it could be recognized last year.

Stepping into 2022, in view of keen competition in PFM China Business and the disposal of the PFM HK Business, the Group will adopt prudent approach to maintain the existing structure while simultaneously explore new or alternative business development opportunities to enhance income streams of PFM China Business.

Discontinued Operations of the Group

HK\$' million	PFM Hong Kong Business Change				Ancillary Business Change			
	2021	2020			2021	2020		
		(Restated)	Amount	%		(Restated)	Amount	%
Revenue	614.9	626.2	(11.3)	↓1.8%	160.5	120.2	40.3	↑33.5%
Gross Profit	67.1	67.0	0.1	↑0.1%	27.7	22.3	5.4	↑24.2%
Operating Expenses	(44.7)	(38.5)	(6.2)	↑16.1%	(9.9)	(12.1)	2.2	↓18.2%
Operating Profit	22.4	28.5	(6.1)	↓21.4%	17.8	10.2	7.6	↑74.5%
Government Subsidies (Note)	1.7	71.3	(69.6)	↓97.6%	-	10.0	(10.0)	↓100.0%
Others	(1.1)	0.7	(1.8)	↑257.1%	-	(0.3)	0.3	↓100.0%
Taxation	(3.3)	(4.9)	1.6	↓32.7%	(2.4)	(2.0)	(0.4)	↑20.0%
Net Profit	19.7	95.6	(75.9)	↓79.4%	15.4	17.9	(2.5)	↓14.0%

Note : Government subsidies – Employment Support Scheme launched by the Government of HKSAR last year. The discontinued operations recorded approximately HK\$1.7 million for the Reporting Year (2020: HK\$81.3 million).

PFM HK Business

During the Reporting Year, PFM HK Business remained steady in both revenue and gross profits, and continued to maintain its solid market position. The Group managed 363 projects with over 93,000 units of residential, commercial and industrial facilities in Hong Kong and maintained a diverse portfolio for a wide spectrum of clients including government, corporate clients, public institutions and private clients. The scope of service included but not limited to government departments, large-scale public facilities, transportation systems, airport cargo terminals, education institutions, hospitals, commercial and industrial properties, shopping malls, public housing estates, private housing and car parks, etc.

Leveraging our rich management experience, exceptional talents and leading-edge innovative technology, we are capable of providing the most appropriate “one-stop-shop” solutions to our clients and earning their trust. During the Reporting Year, we were awarded 13 new key contracts ranging from 1-year to 3-year project period with a total contract sum of over HK\$45.0 million which include:

- a 1-year contract for the provision of property management services for a public residential estate with over 7,000 units in Tsing Yi;
- a 3-year contract for the provision of property management services for a private residential estate with over 1,000 units in Tsing Yi;
- a 3-year contract for the provision of security guarding services for leisure and cultural facility in Tin Shui Wai. In addition to the newly acquired contract, which we have been providing services to its ticketing office since 2009; and
- a 3-year contract of provision of property management services for a residential estate in Tai Wai.

In spite of the economic uncertainty caused by the COVID-19 outbreak, our PFM HK Business service team managed to secure new business opportunities and achieved the satisfactory results on business development as shown above. Besides, the segment was still able to achieve an outstanding contract renewal rate of approximately 90%. Several significant contracts were successfully renewed with satisfactory growth rate, which enables PFM HK Business to generate steady revenue to the Group in the Reporting Year, especially in (i) facility management of the education sectors; (ii) provision of service for customer service center and backend accountancy for a public transport company; and (iii) taxi services management at Hong Kong International Airport.

With the relax of the dining out restriction in the commercial and shopping districts and the social distancing measures in the second half of the Reporting Year, the performance of the carpark business has been greatly improved from loss of HK\$1.7 million last year to loss of HK\$0.2 million for the Reporting Year.

All these elements helped increasing the gross profit of PFM HK Business slightly by 0.1% to approximately HK\$67.1 million despite revenue has decreased by 1.8% to approximately HK\$614.9 million respectively for the Reporting Year as compared with last year.

Ancillary Business

The Ancillary Business comprising integrated procurement, laundry, cleaning, security, maintenance and technical support services had long been in a supportive role to the PFM HK Business and offered comprehensive value-added services to our clients. The Group's Ancillary Business saw significant improvement in revenue and gross profit by 33.5% and 24.2% to approximately HK\$160.5 million and HK\$27.7 million respectively as compared with last year.

The outstanding performance of Ancillary Business was mainly contributed by our cleaning business, which has 13 significant cleaning contracts with the contract sum over HK\$130 million on hand, including a 30-month contract for the provision of cleaning services to a surface transport operator covering 130 locations and a 3-year cleaning contract with a postal and logistic service operator.

Having taken in account of significant contracts awarded these two years and continuously effective cost control measures, our Ancillary Business delivered great results in the Reporting Year.

Disposal of PFM HK Business and Ancillary Business

During the Reporting Year, the Company entered into an agreement for disposal of the PFM HK Business and the Ancillary Business to China Resources Property Management Limited at a consideration of HK\$539.0 million ("Consideration"). The disposal was completed on 10 January 2022 and a disposal gain of approximately HK\$438.0 million has been recognised by the Group in the 2022 financial year. For the disposal, the management had taken the below factors into consideration:

(a) The fairness and reasonableness of the Consideration

Given that (a) the Group recorded a loss after tax for the year ended 31 December 2020 (excluding the subsidies received under the government's anti-epidemic fund of approximately HK\$81.3 million); and (b) the Consideration represents a premium over the net assets value of the Disposal Group as at 30 June 2021, the Directors consider that the disposal represents a valuable opportunity for the Group to realise the intrinsic value of the Disposal Group.

(b) The benefit of the disposal and future development of the ISP Business

Despite that the ISP Business incurred operating losses for year ended 31 December 2018 and 31 December 2020, such financial results were attributable to a number of one-off or isolated events and the Directors expect the ISP Business to pick up momentum as COVID-19 gradually recedes. Further to the disruption caused by the one-off social unrest and epidemic incidents in 2019 and 2020, respectively, the operation of the ISP Business has significantly improved after recovery of economy and implementation of cost control measures in 2021. When compared to the corresponding period in 2020, the ISP Business recorded increases in revenue and operating result of approximately 24.2% and approximately 98.6% for six months ended 30 June 2021, respectively.

Furthermore, according to the 2021 Hong Kong policy address, a number of development projects planned or under planning in the Northern Metropolis are estimated to provide about 350,000 residential units. An additional land parcel of approximately 600 hectares could be developed within the Northern Metropolis for residential and industry purposes, with an estimated provision of about 165,000 to 186,000 residential units. Upon the full development of the entire Northern Metropolis, a total of 905,000 to 926,000 residential units, including the existing 390,000 residential units in Yuen Long District and North District, will be available to accommodate a population of about 2.5 million. The Directors expect that the above plan could also create substantial potential engagement opportunities for the ISP Business in the long run.

In addition, part of the proceeds from the disposal is proposed to be deployed towards further strengthening competitive advantage of the continuing operations of the Group with extra cash for the purchase of surety bonds and payment of upfront cost, which will enable the Remaining Group to tender for larger and/or more projects which in turn can contribute to increase in tender success rate and facilitate the expansion of the ISP Business. It is expected that the continuing operations of the Group will be able to capture more business opportunities in the market when they arise, thereby benefiting their profitability .

(c) The significant gain resultant from the disposal

As disclosed in the circular of the Company dated 1 December 2021 and the announcement of the Company dated 20 January 2022, a significant portion of the net proceeds arising from the disposal of the PFM HK Business and the Ancillary Business has been paid to the shareholders of the Company as special dividend on 22 February 2022. The Directors considered that the payment of the special dividend presented an opportunity for the shareholders to recoup its investment costs in the Company, and partially realise the value of their shareholding and provide liquidity to the shareholders, whilst continuing to retain their investment in the Company to enjoy return from the further development of the continuing operations of the Group. After taking into consideration of the existing cash flow of the continuing operations of the Group, it was considered that given the sufficient cash resources to pay the special dividend upon completion of the disposal, such payment of special dividend would not have any material adverse effect on the financial position of the continuing operations of the Group.

Following completion of the disposal, the Group will concentrate on developing and expanding the ISP Business.

Outlook of the Group

Looking forward, despite of the outbreak of Omicron in early 2022, we are still optimistic about Hong Kong economy which is expected to see positive growth for 2022 as a whole following the disease control implemented by the government, but the degree and speed of recovery are subject to a host of uncertainties such as the development of COVID-19. In the midst of economic uncertainties, we would target the opportunity of the relatively steady local residential property sector as well as education sector, luxury residential sector, bank and offices, religious group and strive to maintain a continuous business growth.

On a Group-wide overview, we consider that the overall financial performance of the Group remains stable with growth. Same as the past, alongside improving financial performance, we must continue a transparent, responsible and embracing approach to business so that we can continue our journey to sustainable development. Aligning our values of customer focus, integrity, teamwork, innovation and pursuit of excellence, sustainability is our core business strategy. We are committed to enhancing customer satisfaction through better communication with clients and continual improvement to our services. Besides, with the rapid change of business environment, we will take appropriate measures to manage various operational and financial risks. Leveraging its solid foundation and committed management team, the Group has full confidence in overcoming all the difficulties ahead of us.

Changes of Company Name and Company Logo

At the special general meeting held on 23 December 2021, shareholders of the Company approved the change of English name of the Company from “Synergis Holdings Limited” to “ISP Holdings Limited” and the adoption of new secondary name of the Company, being “昇柏控股有限公司” to replace the previous Chinese Name “昇捷控股有限公司”, which was used for identification only. The stock code of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) remains unchanged as “02340”. The Company logo has been changed to reflect the change of company name with effect from 10 January 2022. The changes of company name and logo are part of the re-branding exercise in light of the disposal of PFM HK Business and Ancillary Business. Details of the change of the name were disclosed in the announcements of the Company dated 29 November 2021, 23 December 2021 and 10 January 2022 and the circular of the Company dated 1 December 2021.

Financial Position and Financial Risk Management

As at 31 December 2021, there was no outstanding bank loan for the Group as all bank loans were repaid in the Reporting Year, details of which are disclosed in note 13 to the financial statements in this announcement. During the Reporting Year, the Group’s sources of fund were generated primarily from operating and financing activities (including bank facilities).

Interest costs on bank borrowings were primarily charged based on a spread over HIBOR. With regard to the current portfolio of businesses, management expects that financial requirements for the foreseeable future will be met from a combination of shareholders’ equity and banking facilities. The Group would continue to proactively monitor the financial position and maintain sufficient working capital and liquidity in the way that can enable us to capture any good business opportunities and meet the challenges ahead.

The Company placed the 7% convertible bonds in an aggregate principal amount of HK\$42.0 million (the “Convertible Bonds”) on 18 November 2019 pursuant to the placing agreement dated 24 October 2019 by the placing agents to six placees, being individual and corporate investors who are the independent third parties and are not connected with the Company as well as its connected persons, whereby the Convertible Bonds may be convertible into a maximum of 84.0 million conversion shares based on the initial conversion price of HK\$0.50 per conversion share upon exercise in full of the conversion rights attaching to the Convertible Bonds. As at 31 December 2021 and up to the date of this announcement, the Convertible Bonds were redeemed in full. Following the redemption, there was no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into ordinary shares of the Company.

Financial position (HK\$'000)	31 December 2021	31 December 2020
Total assets	521,963	628,198
Receivables and other assets	246,978	385,974
Cash and cash equivalents and pledged bank deposits/time deposits with original maturities over three months	82,661	215,837
Assets classified as held for sale	188,017	-
Current assets	517,656	601,811
Payables and other liabilities	268,413	373,527
Bank loans	-	64,000
Convertible bonds	-	38,912
Liabilities classified as held for sale	87,457	-
Current liabilities	355,870	476,439
Non-current liabilities	1,116	6,277
Net assets	164,977	145,482
Net assets per share (HK cents)	32.7	28.8
Current ratio	1.5	1.3

The Group adopts a conservative approach in the management of its financial risks and resources, under the supervision of the Directors.

The Group's business is conducted primarily in Hong Kong, and its majority assets and liabilities are denominated in Hong Kong Dollars. Therefore, the Group has minimal foreign currency exposure. The growth of the Group's business in China has been funded via permanent capital injection, which is for the long-term and as such, foreign currency hedging is considered unnecessary.

There were no material investments, capital commitments or contingent liabilities as at 31 December 2021 and up to the date of this announcement, other than the disposal of PFM HK Business and the Ancillary Business as disclosed above and a writ of summons received by ISP Construction (Engineering) Limited, an indirect wholly-owned subsidiary of the Company, from the employer of the factory development at Yuen Long, details of which are set out in the announcement of the Company dated 18 January 2021.

Cash Management

The Group operates a centralised cash management system. Cash balances surplus to meet immediate requirements are mainly placed as short-term bank deposits with licensed banks in Hong Kong.

Human Resources

As at 31 December 2021, the Group employed a total of 4,810 staff (2020: 4,879) in Hong Kong and China, of which 4,492 were employed by the PFM HK Business and the Ancillary Business (2020: 4,561) and 381 staff by the ISP Business and the PFM China Business (2020: 381).

The economy, business and the job market in Hong Kong staged a slight recovery in the second half of 2021. Human resources are continuously playing a major role in supporting the Group under new normal environment. To advance workplace wellness programs to achieve employees' wellbeing and work-life balance, we have been instrumental in maintaining business continuity and preparing the Group for sustainable growth. Being more flexible, remote-friendly and digital working norms, the changes in processes, workspaces, collaboration systems, and employee wellness are more critical. In order to sustain our quality services, it is always our long-term goal to retain top talent for the Group. We put a lot of efforts in ensuring our staff members are enjoying competitive remuneration and benefits through market research for regular benchmarking review. Our Human Resources team always strives their best to keep track of changes in the latest market conditions for attracting more high caliber candidates to join our winning team. In addition, aiming for the mutual growth of the staff and the Group, we do our utmost to invest and share resources with our staff. We do believe our staff will reward the Company and customers through providing quality services and thus gain more appreciation and recognition from the customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Year.

SUBSEQUENT EVENTS AFTER THE REPORTING YEAR

Disposal Transaction

Subsequent to the end of the Reporting Year, the disposal transaction detailed in Note 7 to the financial statements in this announcement was completed on 10 January 2022. The outstanding cash consideration of HK\$539.0 million and the amount due from the Disposal Group of HK\$333,000 were settled in January 2022 in accordance with the sale and purchase agreement. In addition to the information given in the paragraph headed "Disposal of PFM HK Business and Ancillary Business" on pages 30 and 31 of this announcement, details of the disposal were disclosed in the announcements of the Company dated 26 November 2021, 23 December 2021 and 10 January 2022 and the circular of the Company dated 1 December 2021.

Writ of Summons

Reference was made to the announcement of the Company dated 1 March 2022. The Company, as the 1st defendant, and ISP Construction (Engineering) Limited (the "ISPCE"), as the 2nd defendant (collectively, the "Defendants"), received a writ of summons on 25 February 2022 under action number HCA 245 of 2022 (the "Writ of Summons") issued in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Falcon Insurance Company (Hong Kong) Limited as a plaintiff (the "Plaintiff"), against the Defendants for the deposit of a sum of HK\$58.9 million to the Plaintiff until such time as the Plaintiff's liability under the surety bond is released and/ or other relief and costs on indemnity basis regarding the surety bond executed by the Falcon Insurance Company (Hong Kong) Limited and ISPCE to guarantee due performance and observance by ISPCE for construction of main contract works for the factory development at Yuen Long. The Writ of Summons was in relation to another writ of summons, which reference is made to the announcement of the Company dated 18 January 2021, under High Court action number HCCT 6 of 2021, in which the plaintiff (under HCCT 6 of 2021) brought claims against Falcon Insurance Company (Hong Kong) Limited (as the first defendant under HCCT 6 of 2021) and ISPCE (as the second defendant under HCCT 6 of 2021) for, among other things, alleged breach of the surety bond.

The Company considers that as the Writ of Summons is related to HCCT 6 of 2021, it would not incur any liabilities in addition to those under HCCT 6 of 2021. In any event, the Company and the ISPCE are seeking legal advice in respect of the above proceeding in HCA 245 of 2022 and would defend its position.

The Company will make further announcement(s) to update the shareholders of the Company and the potential investors on any significant development regarding the above claim as and when appropriate.

Establishment of Investment Committee and Acquisition of Listed Securities

On 15 March 2022, an investment committee (the “Committee”) has been established for the purpose of, among others, handling affairs relating to the investment aspects of the Company. Mr. Kingston Chu Chun Ho, the Chairman of the Board and Executive Director, has been appointed as the chairman of the Committee, and Mr. Lam Chun Kit, the Non-executive Director, and Mr. Lau Man Tak, the Independent Non-executive Director, have been appointed as the members of the Committee, all with effect from 15 March 2022.

On the same date of the establishment of the Committee, the Company acquired certain listed securities (the “Listed Securities”) on the open market at an aggregate consideration of approximately HK\$29,700,000 (exclusive of transaction costs) (the “Acquisitions”). As the Acquisitions were conducted in the open market, the Company is not aware of the identities of the sellers of the Listed Securities. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the sellers of the Listed Securities and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

For the purposes of treasury and liquidity management pending for capital deployment in various phases of expansion and development of the Group’s business, the Board considered the Acquisitions presented good opportunities for the Group to acquire potential investments to contribute a steady investment return. The management expects these investments in listed companies with excellent reputation which are typically well-established and financially sound companies (e.g. blue-chips stocks) and holds positive views towards their financial performance and future prospects. The Board also considered that the above transactions represented attractive market opportunities given the prevailing market prices of the Listed Securities. As the Acquisitions were made at market price, the Directors are of the view that the Acquisitions were fair and reasonable on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Details of the Acquisitions were disclosed in the announcement of the Company dated 18 March 2022.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely, Mr. Lau Man Tak (Chairman of the Audit Committee), Mr. Eric Lee Hon Man and Mr. To Chun Wai. The Audit Committee together with the participation of the management of the Company have reviewed the consolidated financial statements of the Group for the Reporting Year.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement, from pages 1 to 21, have been agreed by the Company's external auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by BDO Limited on this annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Reporting Year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles, code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules.

Throughout the Reporting Year, the Company complied with all code provisions of the CG Code and, where appropriate, the applicable recommended best practices of the CG Code in force during the Reporting Year.

By order of the Board
ISP Holdings Limited
Kingston Chu Chun Ho
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises Mr. Kingston Chu Chun Ho (Chairman) as Executive Director and Mr. Lam Chun Kit as Non-executive Director; and Mr. Lau Man Tak, Mr. Eric Lee Hon Man and Mr. To Chun Wai as Independent Non-executive Directors.