CNT GROUP LIMITED
北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Change
Results	**HK$'000**	HK$'000	%
Revenue	**881,020**	781,508	12.7
Gross profit	**196,132**	247,687	-20.8
Gross profit margin	**22.3%**	31.7%	-29.7
Loss for the year	**(35,428)**	(96,876)	-63.4
Loss attributable to:			
Shareholders of the Company	**(20,633)**	(94,242)	-78.1
Non-controlling interests	**(14,795)**	(2,634)	461.7
Loss per share (HK cents)			
Basic and diluted	**(1.08)**	(4.95)	-78.2

	As at 31 December 2021	As at 31 December 2020	Change
Financial Position	**HK$'000**	HK$'000	%
Cash and cash equivalents, structured deposits and pledged deposits	**497,473**	510,662	-2.6
Bank borrowings	**269,207**	269,689	-0.2
Gearing ratio	**17.4%**	17.0%	2.4
Net asset value per share (HK$)	**0.88**	0.91	-3.3
Shareholders' funds per share (HK$)	**0.81**	0.83	-2.4

The board of directors (the "Board") of CNT Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 together with comparative amounts for the corresponding year in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
REVENUE	4	**881,020**	781,508
Cost of sales		**(684,888)**	(533,821)
Gross profit		**196,132**	247,687
Other income and gains, net	4	**18,671**	29,032
Selling and distribution expenses		**(106,376)**	(97,286)
Administrative expenses		**(132,469)**	(136,571)
Other expenses, net		**(21,915)**	(37,190)
Fair value gains/(losses) on investment properties, net	11	**15,378**	(93,876)
Finance costs	5	**(5,692)**	(6,719)
Share of profits and losses of associates, net		**1,745**	1,275
LOSS BEFORE TAX	6	**(34,526)**	(93,648)
Income tax expense	7	**(902)**	(3,228)
LOSS FOR THE YEAR		**(35,428)**	(96,876)
ATTRIBUTABLE TO:			
Owners of the parent		**(20,633)**	(94,242)
Non-controlling interests		**(14,795)**	(2,634)
		(35,428)	(96,876)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**HK(1.08) cents**	HK(4.95) cents

Details of the proposed dividend for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(35,428)**	(96,876)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**24,661**	62,411
Reclassification adjustment on disposal of an associate	**–**	434
Share of other comprehensive income of an associate	**–**	48
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**24,661**	62,893
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments designated at fair value through other comprehensive income	**11**	(1,355)
Gain on property revaluation	**–**	28,624
Income tax effect	**–**	(7,156)
	–	21,468
Remeasurement of net pension scheme assets	**132**	773
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**143**	20,886
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**24,804**	83,779
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(10,624)**	(13,097)
ATTRIBUTABLE TO:		
Owners of the parent	**(601)**	(28,322)
Non-controlling interests	**(10,023)**	15,225
	(10,624)	(13,097)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**514,808**	261,071
Investment properties	11	**601,378**	840,182
Property under development		**28,000**	28,000
Deposits		**282**	–
Right-of-use assets		**97,770**	100,506
Interest in an associate		**2,722**	2,666
Equity investments designated at fair value through other comprehensive income		**47,987**	47,976
Deposits for purchases of property, plant and equipment		**4,850**	815
Net pension scheme assets		**5,548**	5,464
Deferred tax assets		**18,503**	18,737
Total non-current assets		**1,321,848**	1,305,417
CURRENT ASSETS			
Inventories		**82,082**	78,749
Trade and bills receivables	12	**452,113**	392,550
Prepayments, deposits and other receivables		**81,280**	108,829
Financial assets at fair value through profit or loss		**6,418**	–
Structured deposits		**–**	5,958
Pledged deposits		**42,308**	2,580
Cash and cash equivalents		**455,165**	502,124
Total current assets		**1,119,366**	1,090,790
CURRENT LIABILITIES			
Trade and bills payables	13	**352,404**	234,067
Other payables and accruals		**85,232**	100,944
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**269,207**	269,689
Lease liabilities		**2,781**	2,950
Tax payable		**11,741**	12,180
Total current liabilities		**724,165**	622,630
NET CURRENT ASSETS		**395,201**	468,160
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,717,049**	1,773,577

	2021	2020
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**746**	1,835
Deferred tax liabilities	**33,369**	33,332
Deferred income	**1,002**	1,281
Deposits received	**–**	4,000
Total non-current liabilities	**35,117**	40,448
Net assets	**1,681,932**	1,733,129
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,355,629**	1,394,303
	1,545,998	1,584,672
Non-controlling interests	**135,934**	148,457
Total equity	**1,681,932**	1,733,129

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong 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, structured deposits and net pension scheme assets, 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease 2019 (the "COVID-19") pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received the COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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, serviced apartment and industrial properties for their rental income potential; and

(ii) the development and sale of properties;

(c) the iron and steel trading segment comprises the trading of iron and steel products;

(d) the hotel business; and

(e) the others segment comprises, principally, investment holding and securities trading.

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

Year ended 31 December 2021	**Paint products HK$'000**	**Property investment HK$'000**	**Iron and steel trading HK$'000**	**Hotel business HK$'000**	**Others HK$'000**	**Total HK$'000**
Segment revenue:						
Sales to external customers	**838,066**	**29,552**	**13,402**	**–**	**–**	**881,020**
Intersegment sales	**–**	**4,719**	**–**	**–**	**–**	**4,719**
Other revenue and gains	**10,029**	**20,680**	**139**	**67**	**105**	**31,020**
	848,095	**54,951**	**13,541**	**67**	**105**	**916,759**
Reconciliation:						
Elimination of intersegment sales						**(4,719)**
Total						**912,040**
Segment results	**(57,436)**	**45,387**	**748**	**(857)**	**(852)**	**(13,010)**
Reconciliation:						
Elimination of intersegment results						**(91)**
Interest income						**3,029**
Finance costs						**(5,692)**
Corporate and other unallocated expenses						**(18,762)**
Loss before tax						**(34,526)**

Year ended 31 December 2021	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment assets	**1,203,480**	**642,928**	**17,495**	**287,037**	**57,566**	**2,208,506**
Reconciliation:						
Elimination of intersegment receivables						**(796)**
Corporate and other unallocated assets						**233,504**
Total assets						**2,441,214**
Segment liabilities	**670,366**	**75,896**	**834**	**9,313**	**389**	**756,798**
Reconciliation:						
Elimination of intersegment payables						**(796)**
Corporate and other unallocated liabilities						**3,280**
Total liabilities						**759,282**
Other segment information:						
Share of profits and losses of an associate	**–**	**(1,745)**	**–**	**–**	**–**	**(1,745)**
Interest in an associate	**–**	**2,722**	**–**	**–**	**–**	**2,722**
Depreciation on property, plant and equipment	**24,921**	**2,153**	**19**	**144**	**–**	**27,237**
Corporate and other unallocated depreciation						**14**
						27,251
Depreciation on right-of-use assets	**6,745**	**610**	**–**	**–**	**–**	**7,355**
Corporate and other unallocated depreciation						**14**
						7,369
Capital expenditure	**18,228**	**79**	**–**	**–**	**–**	**18,307**
Corporate and other unallocated capital expenditure						**9**
						18,316*
Fair value losses/(gains) on investment properties, net	**242**	**(15,620)**	**–**	**–**	**–**	**(15,378)**
Provision for/(reversal of provision for) impairment of trade receivables	**4,566**	**1,198**	**(1,201)**	**–**	**–**	**4,563**
Write-down/(write back) of inventories to net realisable value, net	**(244)**	**–**	**55**	**–**	**–**	**(189)**

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

Year ended 31 December 2020	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	712,886	31,573	37,049	–	–	781,508
Intersegment sales	–	4,907	–	–	–	4,907
Other revenue and gains	21,084	56	2,668	–	1,306	25,114
	733,970	36,536	39,717	–	1,306	811,529
Reconciliation:						
Elimination of intersegment sales						(4,907)
Total						806,622
Segment results	(6,720)	(63,368)	340	–	1,195	(68,553)
Reconciliation:						
Elimination of intersegment results						(114)
Interest income						3,918
Finance costs						(6,719)
Corporate and other unallocated expenses						(22,180)
Loss before tax						(93,648)
Segment assets	1,145,383	902,385	48,707	–	48,638	2,145,113
Reconciliation:						
Elimination of intersegment receivables						(898)
Corporate and other unallocated assets						251,992
Total assets						2,396,207
Segment liabilities	561,630	87,202	11,317	–	423	660,572
Reconciliation:						
Elimination of intersegment payables						(898)
Corporate and other unallocated liabilities						3,404
Total liabilities						663,078

Year ended 31 December 2020	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Hotel business HK$'000	Others HK$'000	Total HK$'000
Other segment information:						
Share of profits and losses of associates	–	(1,694)	419	–	–	(1,275)
Interest in an associate	–	2,666	–	–	–	2,666
Depreciation on property, plant and equipment	22,450	2,136	19	–	–	24,605
Corporate and other unallocated depreciation						21
						24,626
Depreciation on right-of-use assets	6,274	609	–	–	–	6,883
Corporate and other unallocated depreciation						14
						6,897
Capital expenditure	26,102	4,256	–	–	–	30,358
Corporate and other unallocated capital expenditure						10
						30,368*
Fair value losses on investment properties, net	1,468	92,408	–	–	–	93,876
Provision for impairment of property, plant and equipment	5,011	–	–	–	–	5,011
Reversal of provision for impairment of trade receivables	(462)	–	(902)	–	–	(1,364)
Write-down of inventories to net realisable value, net	595	–	822	–	–	1,417

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

Geographical information:

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Hong Kong	**90,607**	94,363
Mainland China	**790,413**	687,145
	881,020	781,508

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**679,765**	664,785
Mainland China	**569,763**	568,455
	1,249,528	1,233,240

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

Information about a major customer:

No revenue from any single customer accounted for 10% or more of the total revenue of the Group for the years ended 31 December 2021 and 31 December 2020.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Sale of paint products	**838,066**	712,886
Sale of iron and steel products	**13,402**	37,049
Revenue from other sources		
Gross rental income from investment properties operating leases	**29,552**	31,573
	881,020	781,508

	2021	2020
	HK$'000	HK$'000
Other income		
Interest income from structured deposits	**112**	–
Bank interest income	**2,917**	3,918
Dividend income from an equity investment designated at fair value through other comprehensive income	**120**	134
Dividend income from financial assets at fair value through profit or loss held for trading	**83**	–
Government grants*	**3,955**	2,847
Government subsidies^	**–**	4,042
Recognition of deferred income	**308**	287
Rental income	**4,959**	3,983
Surrender income for early termination of tenancy agreements	**5,150**	–
Others	**1,331**	1,849
	18,935	17,060
Gains, net		
Gain on disposal of an associate	**–**	2,148
Gain on disposal of items of property, plant and equipment, net	**118**	474
Gain on deposits paid for purchases of property, plant and equipment#	**–**	9,350
Foreign exchange differences, net	**246**	–
Fair value gains on financial assets at fair value through profit or loss held for trading, net	**341**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**(969)**	–
	(264)	11,972
Total other income and gains, net	**18,671**	29,032

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

^ Government subsidies were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong government. As a condition of receiving the subsidies from the Employment Support Scheme, the Group undertook not to make redundancies until 30 November 2020.

\# During the year ended 31 December 2020, a termination agreement was signed between the government of Xinfeng, Guangdong, the PRC and an indirectly owned subsidiary of the Company, to terminate the previous signed acquisition agreement (i.e. a parcel of land located in Xinfeng). The Xinfeng government paid a compensation of approximately Renminbi ("RMB")15,000,000 (equivalent to approximately HK$16,813,000) for several initial payments made by the indirectly owned subsidiary of the Company. The aggregate carrying amount of such several initial payments was approximately RMB6,658,000 (equivalent to approximately HK$7,463,000).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank loans	**5,589**	6,610
Interest on lease liabilities	**103**	109
	5,692	6,719

6. LOSS BEFORE TAX

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

	2021 HK$'000	2020 HK$'000
Cost of inventories sold	**684,888**	533,821
Depreciation on property, plant and equipment	**27,251**	24,626
Depreciation on right-of-use assets	**7,369**	6,897
Provision for impairment of property, plant and equipment*	**–**	5,011
Write-down/(write back) of inventories to net realisable value, net@	**(189)**	1,417
Provision for/(reversal of provision) for impairment of trade receivables*	**4,563**	(1,364)
Staff termination cost*	**2,702**	18,926
Fair value gains on financial assets at fair value through profit or loss held for trading, net	**(341)**	–
Net losses on dealings in financial assets at fair value through profit or loss held for trading	**969**	–
Dividend income from financial assets at fair value through profit or loss held for trading	**(83)**	–
Gain on deposits paid for purchases of property, plant and equipment*	**–**	(9,350)
Gain on disposal of items of property, plant and equipment, net*	**(118)**	(474)
Write-off of items of property, plant and equipment*	**295**	274
Foreign exchange differences, net*	**(246)**	425

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

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

7. 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 2021 (2020: 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% (2020: 25%) during the year, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2020: 15%) had been applied during the year.

	2021	2020
	HK$'000	HK$'000
Current - Hong Kong		
Underprovision in prior years	**10**	–
Current - Elsewhere		
Charge for the year	**1,067**	816
Overprovision in prior years	**(6)**	(1,097)
Deferred	**(169)**	3,509
Total tax charge for the year	**902**	3,228

The share of tax attributable to an associate amounting to HK$231,000 (2020: HK$219,000) is included in "Share of profits and losses of associates, net" in the consolidated statement of profit or loss.

8. 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$20,633,000 (2020: HK$94,242,000), and the weighted average number of ordinary shares of 1,903,685,690 (2020: 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 2021 and 2020.

9. DIVIDEND

	2021	2020
	HK$'000	HK$'000
Proposed final - HK2.0 cents (2020: HK2.0 cents) per ordinary share	**38,074**	38,074

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ending 31 December 2022.

At the annual general meeting held on 26 May 2021, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2020 of HK2.0 cents per share which amounted to approximately HK$38,074,000.

10. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2021, the Group acquired items of property, plant and equipment at costs of HK$11,665,000 (31 December 2020: HK$24,414,000) and transferred a hotel property from investment properties at fair value at 1 December 2021 of HK$261,500,000 (31 December 2020: Nil).

11. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	HK$'000
Carrying amount at 1 January	**840,182**	851,339
Additions	**–**	3,648
Fair value gain/(loss), net	**15,378**	(93,876)
Transfer from deposits for purchases of property, plant and equipment	**–**	937
Transfer from/(to) owner-occupied properties	**(261,500)**	33,765
Transfer from leasehold land	**–**	27,575
Exchange realignment	**7,318**	16,794
Carrying amount at 31 December	**601,378**	840,182

The Group's investment properties consist of residential, commercial, serviced apartment and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of five classes of asset, i.e. commercial and serviced apartment in Hong Kong and residential, commercial and industrial in the PRC during the year, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by BMI Appraisals Limited, an independent professional qualified valuer. The Group's finance department reports directly to the senior management selects an external valuer to be responsible for the external valuations of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance department has discussions with the external valuers on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

During the year, the Group has transferred a hotel to property, plant and equipment at fair value at 1 December 2021 of HK$261,500,000. For the year ended 31 December 2020, an industrial property in Mainland China which was revalued on 1 September 2020 at HK$61,340,000 was transferred to investment property from land and building.

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms 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 are 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 leasing of investment properties where security deposits are required from the relevant tenants. Trade and bills receivables are non-interest-bearing.

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

	2021	2020
	HK$'000	HK$'000
Within three months	**201,986**	236,349
Over three months and within six months	**125,489**	85,498
Over six months	**124,638**	70,703
	452,113	392,550

13. 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:

	2021	2020
	HK$'000	HK$'000
Within three months	**328,097**	213,935
Over three months and within six months	**24,265**	19,878
Over six months	**42**	254
	352,404	234,067

The trade payables are unsecured, non-interest-bearing and normally settled within two months. As at 31 December 2021, bills payable with an aggregate carrying amount of HK$136,543,000 (2020: HK$8,600,000) were secured by time deposits of HK$40,963,000 (2020: HK$2,580,000).

DIVIDEND

The directors of the Company have resolved to recommend to the shareholders of the Company the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2021 (2020: HK2.0 cents) amounting to approximately HK$38,074,000 (2020: approximately HK$38,074,000). The final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on Friday, 24 June 2022 to the shareholders of the Company whose names appear on the Company's register of members on Friday, 10 June 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

For the purpose of determining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 8 June 2022.

CHAIRMAN'S STATEMENT

OVERVIEW

In 2021, the business of the Group was categorised under four principal segments. The largest business segment of the Group continued to be the paint and coating business operated by CPM Group Limited ("CPM" and together with CPM's subsidiaries, the "CPM Group"), in which the Company holds 75% of its issued share capital. The Group is also active in enriching its investment property portfolio for the purposes of increasing the rental income as well as value appreciation. In addition, the Group was engaged in the iron and steel trading business. Since the end of 2021, the Group has started the hotel business. Such business segment was still at its preliminary stage and hence, there was no revenue generated from it. Overall, during the year ended 31 December 2021, the Group's revenue from the paint and coating business increased and the return on the investment property portfolio of the Group could also achieve a similar level as compared to the year ended 31 December 2020. The iron and steel trading business recorded a decrease in revenue. Apart from the four business segments, the Group also invested in certain equity investments for investment purpose.

In 2021, the economy in Hong Kong and the PRC continued to be adversely affected by the COVID-19 pandemic. The new variants, Delta and Omicron, continued to affect the social lives and various industries. Stringent precautionary measures continued to be implemented by the governments. The economy and the society faced different levels of disruption in almost all aspects, from the supply of medical services to the food supply and then to public transportation. According to the International Monetary Fund (the "IMF"), the continued tightening of the real estate sector and the weak recovery in private consumption in the PRC have slowed down the global economic recovery. The IMF has recently adjusted downward the global economic growth to 4.4%, which was 0.5 percentage points lower than its previous estimate.

The gross domestic product ("GDP") growth rate in Hong Kong in 2021 was 6.4%, as compared to -6.1% in 2020. The economic growth in 2021 was primarily due to the worst performance in 2020. The property and construction sector in Hong Kong continued to be adversely affected by the COVID-19 pandemic. Furthermore, the stringent precautionary measures on the COVID-19 (including the shut-down of a number of businesses, social distancing and the work from home arrangements) undermined the demand for commercial properties. According to the public information, considering the support from the stimulating measures implemented by the Hong Kong government, Hong Kong's economy is expected to grow only by 2% to 3.5% in 2022.

Notwithstanding the challenges caused by the COVID-19 pandemic and the global economic downturn, the revenue of the CPM Group recorded an increase of 17.6% in 2021 to approximately HK$838.07 million, as compared to approximately HK$712.89 million in 2020. The gross profit of the CPM Group in 2021, however, was only approximately HK$166.27 million, representing a decrease of 23.0%, as compared to approximately HK$215.95 million in 2020.

Revenue generated from the investment property business of the Group in 2021 decreased by 6.4% to approximately HK$29.55 million, as compared to approximately HK$31.57 million in 2020. Nevertheless, the net fair value gains of the investment property portfolio of the Group amounted to approximately HK$15.38 million in 2021 as compared to the net fair value losses of approximately HK$93.88 million in 2020, primarily due to the general improvements in the market conditions of the property market in Hong Kong.

On the other hand, the revenue from the iron and steel trading business decreased by 63.8% in 2021 as compared to 2020, due to the downsizing of the iron and steel trading business.

In light of the foregoing, the Group's revenue for the year ended 31 December 2021 amounted to HK$881.02 million, representing an increase of 12.7%, as compared to the revenue in 2020. Gross profit decreased by HK$51.56 million, representing a significant decrease of 20.8%, as compared to the gross profit in 2020. Loss attributable to the shareholders of the Company for the year ended 31 December 2021 was significantly reduced to HK$20.63 million, as compared to the loss attributable to the shareholders of the Company of HK$94.24 million in 2020.

PROSPECTS

The global economic growth continues to be challenged by the new wave of the COVID-19 pandemic, labour shortage, supply-chain disruption and the rising inflationary pressures. The growth in the global output is expected to slow to only 4% in 2022 and to 3.5% in 2023. In addition, changes in the government policies in major countries and the geopolitical condition may also have impacts on the economic development.

Besides the ongoing tensions between China and the United States, the Russia-Ukraine conflict and western sanctions on Russia are affecting the global economy. Furthermore, the international crude oil price has surged to approximately US$130 per barrel in March 2022, as compared to the price of US$75 per barrel as at 31 December 2021. The market has expected that prices of some crude oil by-products will stay at a high level in 2022. Therefore, the prices of raw materials used in manufacturing of paint and coating products will stay at a high level in 2022. Therefore, the price of raw materials used in the manufacture of paint and coating products will be unanticipated. Since the events have been incurred, the change in economic conditions and political development will be shown by instabilities, uncertainties and imbalances. Amid the tough business environment, the CPM Group will continue to keep pace with the development of the paint and coating industry in Mainland China and will implement various business initiatives cautiously in response to the surge in the crude oil prices and the shortage of crude oil by-products in the global markets.

With developers facing the liquidity issues, the property market in the PRC is expected to remain sluggish in the first half of 2022. The World Bank lowered the forecast of the economic growth of the PRC in 2022 from 5.4% to 5.1%, being the second slowest rate since 1990. Moreover, the Chinese government announced its economic policy for 2022 at the annual Central Economic Work Conference that it will implement a proactive fiscal policy and a prudent monetary policy to stabilise the economy. The State Council of the PRC also announced measures to ease the economic conditions, which include extending the loan support policies for small and micro-sized enterprises until June 2023 and financing agricultural and small businesses through microcredit loans.

The Hong Kong's property market has recovered in 2021, and it is expected that the market would have a mild recovery in 2022 following the control of the COVID-19 pandemic. As rents appeared to have bottomed out, the commercial property market is expected to rebound in leasing activities and capital values in 2022. In 2021, the overall Hong Kong Grade A office's rental value decreased by 5.2% when compared with the rental value in 2020. The overall office rental levels are expected to increase by 5% in 2022. On the other hand, the U.S. Federal Reserve is expected to raise interest rates six times in 2022 for a total of 150 basis points to combat inflation. The increase in the interest rates may suppress the increase in the market value of investment properties. The decrease would be offset by the strong investors' demand. It is expected that investments will move towards income-resilient assets and properties with repurposing potential.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the business of the Group was categorised under four principal segments. The largest business segment of the Group continued to be the paint and coating business, which was operated by the CPM Group. The other business segments of the Group included property investment and iron and steel trading business. A new hotel business segment has started by the end of 2021. The Group also holds certain equity investments for investment purpose. The following information on the paint and coating business is extracted from the results announcement of CPM for the year ended 31 December 2021.

PAINT AND COATING PRODUCTS

General Industry Background

The CPM Group's products 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 CPM Group's architectural paint and coating products focus primarily on the construction and maintenance markets of 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.

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for approximately 35.9% (2020: 38.6%), 48.3% (2020: 44.4%) and 15.8% (2020: 17.0%) of the total revenue of paint and coating business in 2021 respectively. The CPM Group continues to focus on the Mainland China market which contributed to approximately 92.0% (2020: 90.5%) of the total revenue of the CPM Group in 2021.

According to the information published by the National Bureau of Statistics of China (the "NBSC"), in terms of the tertiary industry classification, the paint and coating industry is integrated into the manufacturing industry sector of the secondary industry. The nominal GDP of the secondary industry and the nominal GDP of the manufacturing industry sector increased by 17.6% and 19.1% respectively, in 2021 as compared to the same in 2020.

The cumulative construction area of construction-in-progress in the real estate industry in Mainland China increased by 5.2% in 2021, as compared to an increase of 3.7% in 2020, while the cumulative completion area increased by 11.2% in 2021, as compared to a 4.9% decrease in 2020. The CPM Group's revenue generated from the customers in the construction industry and from property and infrastructure projects in Mainland China significantly increased by 29.0%, which was outperformed the industry performance.

The nominal GDP of the wholesale and retail trade sector in Mainland China in 2021 increased by 15.0%, according to the information published by the NBSC, as compared to the corresponding year in 2020. Retail sales of furniture goods (including the paint and coating products for furniture manufacturing purpose) increased by 4.3% in 2021 as compared to a decrease of 18.9% in 2020, while the retail sales of the construction and decorative paint and coating products increased by 12.5% in 2021, as compared to the decrease of 15.1% in 2020. The CPM Group's revenue generated from the wholesale distributors and retail distributors (the "Distributors") in Mainland China increased by 9.1% in 2021 as compared to 2020, which was within the range of the industries' performance.

On the other hand, the paint and coating industry in Mainland China suffered, which was primarily due to the surging prices of raw materials for the manufacturing of paint and coating products throughout 2021, as a result of the spiralling international crude oil prices and the adverse effect of other developments, such as the significant increases in the electricity prices and the shipping transportation rates and the disruption in the global supply chains. As compared to 2020, the average international crude oil prices increased by 72% throughout 2021. The percentage of the cost of sales to revenue of the CPM Group increased to 80.2% in 2021 from 69.7% in 2020. Such general increases affect the profitability of the CPM Group.

Growing Revenue with Recovering Economic Activities from the COVID-19 Pandemic

Total revenue of the CPM Group in 2021 significantly increased by approximately 17.6%, as compared to a 0.1% decrease in 2020. For the year ended 31 December 2021, the amount of revenue generated from the sales of architectural paint and coating products significantly increased by approximately 28.0% or approximately HK$88.61 million, which was primarily due to (i) the continued expansion of the customer base in construction and renovation contractors for property; (ii) the effective promotion strategies of these products to the Distributors; and (iii) several upward adjustments on the CPM Group's selling price of paint and coating products. In addition, the amount of revenue generated from the sales of industrial paint and coating products increased by approximately 9.3%, as compared to the decrease of 5.8% in 2020, mainly due to the strong demands from customers in the machinery and equipment industry, the manufacturing-metal industry and the toy manufacturing industry in Mainland China. On the other hand, the amount of revenue generated from the general paint and coating and ancillary products increased by approximately 8.9%, as compared to the decrease of 9.8% in 2020, which showed a similar recovery level in 2019.

Significant Increase in the Sales of the Water-based Paint and Coating Products

For the year ended 31 December 2021, the sales volume of the water-based paint and coating products of the CPM Group increased by approximately 28.6%, as compared to the increase of 16.9% in 2020. The contribution from the water-based paint and coating products to the CPM Group's total revenue increased by approximately 9.2% to 47.5% for the year ended 31 December 2021, as compared to the contribution of 43.5% for the year ended 31 December 2020. Such significant increase was primarily due to the ongoing endeavour of the CPM Group to ensure customer satisfaction by continuing to communicate with their needs for the paint and coating products, as well as a continued expansion of its customer base in construction and renovation contractors for property and infrastructure projects.

Significant Increase in the Sales to Construction and Renovation Contractors for Property and Infrastructure Projects

The CPM Group's revenue generated from solvent-based and water-based paint and coating products sold to the construction and renovation contractors for property and infrastructure projects in Mainland China increased by 29.0% to approximately HK$365.57 million for the year ended 31 December 2021, as compared to a 21.7% increase in 2020. Such increase was primarily due to the CPM Group's continued market penetration into the property and construction industry in Mainland China, ahead of the growth of the building and construction industry sector in Mainland China.

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2021, the CPM Group's revenue generated from Mainland China and Hong Kong accounted for approximately 92.0% and 8.0% respectively, as compared to approximately 90.5% and 9.5% respectively for the year ended 31 December 2020. The majority of its revenue was generated from the Southern China, the Central China and the Eastern China. Revenue generated from these regions, in aggregate, accounted for approximately 83.8% of its total revenue for the year ended 31 December 2021, as compared to approximately 83.0% for the year ended 31 December 2020.

Significant Increase in the Sales to Construction and Renovation Contractors for Property and Infrastructure Projects in the Southern China, the Eastern China and the Central China

For the year ended 31 December 2021, the CPM Group's sales to construction and renovation contractors for property and infrastructure projects in the Southern China, the Eastern China and the Central China increased by 34.9% to approximately HK$95.92 million, 61.0% to approximately HK$92.81 million and 9.4% to approximately HK$135.23 million, respectively. These growths were mainly due to the CPM Group's continued cooperation with well-known property developers in Mainland China, as well as its sustainable status as one of the registered suppliers to these property developers.

Decrease in Sales in Hong Kong due to the Temporary Deferral on Certain Projects

For the year ended 31 December 2021, the CPM Group's revenue in Hong Kong decreased by approximately 1.5%, as compared to the decrease of 9.4% in 2020. Among which, the CPM Group's revenue generated from the sales to the contractors in the building and construction sector in Hong Kong decreased by approximately 17.2% in 2021, as compared to the decrease of 32.0% in 2020. The decrease in revenue in Hong Kong was primarily due to the temporary deferral on certain projects, which the CPM Group has been awarded to supply the paint and coating products. These projects include building maintenance works and other infrastructure projects.

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. Crude oil prices directly or indirectly impact the prices of such raw materials. In 2021, the overall crude oil prices increased significantly, possibly leading to a price surge of raw materials used for paint and coating products. Furthermore, the average international crude oil prices increased by 72% throughout 2021, as compared to the year of 2020. The international crude oil prices in 2021 had reached the price of US$84 per barrel, the highest level since October 2014, it even rose to US$130 per barrel in March 2022. Due to the strong recovery in various industries, there were a shortage in raw materials and delay in delivery, which resulted in surging prices in raw materials. According to the available information from other paint and coating manufacturers, purchasing prices of titanium dioxide, solvent, resin and emulsion, which are the major raw materials used in the manufacturing of paint and coating products, have increased in the range between 39% and 51%, 45% and 50%, 20% and 36% and 41% and 45%, respectively, for the first three quarters of 2021 as compared to 2020. Despite the effective implementation of the annual rotation of refined oil products stored by the China on 31 October 2021 by the National Food and Strategic Reserves Administration, the ratio of cost of sales to revenue of the CPM Group increased by approximately 35.2% to 80.2% in 2021 from 69.7% in 2020.

Gross Profit Margin and Gross Profit

For the year ended 31 December 2021, the paint and coating industry has suffered from pressure on high raw materials costs due to high international crude oil prices, a global shortage of raw materials and the disruptions in the global supply chain throughout 2021. Despite the several upward adjustments on the CPM Group's selling price in paint and coating products, the surging cost of raw materials has not been fully transferred to the customers. As a result, the CPM Group's gross profit has decreased by 23.0% to approximately HK$166.27 million, while the gross profit margin decreased by approximately 34.7% to approximately 19.8% in 2021. The CPM Group's loss attributable to its owners of the parent company increased to approximately HK$59.53 million in 2021 from approximately HK$10.80 million in 2020.

Profitability Analysis

Since 2021, Mainland China has resumed normal economic activities as a result of the efficient and effective measures imposed by the Chinese government at earlier stages in preventing and controlling the spread of the COVID-19. Such early resumption was favourable to the strong economic recovery in Mainland China. Taking advantage of these opportunities and implementing the planned business revamp measures and initiatives, the CPM Group had a desirable start with a significant revenue increase in the first quarter of 2021. However, the CPM Group alerted the significant increases in raw materials prices during February to March 2021 and anticipated a decrease in its gross profit margin for the first quarter of 2021. Although the CPM Group promptly responded and adjusted upward the selling prices for all paint and coating products from March 2021. However, the gross profit margin of the CPM Group still dropped significantly during the first three quarters of 2021. Nevertheless, the CPM Group recorded an improvement in its gross profit margin in the last quarter of 2021. In addition, the CPM Group achieved to expand its customer base and resulted in a significant growth in revenue for the year ended 31 December 2021. Furthermore, the CPM Group continued to achieve the reduction of expenses and thus significantly decreased the ratio of several major expenses to revenue for the year ended 31 December 2021.

The implementation of the ongoing business measures and initiatives continued to improve the cost efficiency of the CPM Group. The objective of these business measures and initiatives was to implement strategic plans to realign the strategic directions and priorities and to improve the efficiency of the business operations of the CPM Group.

Latest Progress in the New Product Research and Development Centre in Mainland China

Due to the spread of new variants of the COVID-19, the CPM Group has yet to identify suitable office premises in Shenzhen for setting up a new product research and development centre (the "New R&D Centre"). The commencement of business operation of the New R&D Centre has been postponed since 2020. Although the COVID-19 pandemic has delayed the progress of setting up the New R&D Centre, such establishment is in line with the strategy of the CPM Group to focus on encouraging and promoting Shenzhen as an important base for high-tech research, development and manufacturing in the Southern China and more importantly, to employ high caliber candidates for the support of further development of paint and coating products in the Southern China. Despite the hurdles in setting up the New R&D Centre, the CPM Group has been conducting research and development on new paint and coating products. During the year, the CPM Group continually invented new paint and coating products as well as new and modified paint and coating formulations. The CPM Group purchased machineries and equipment for the use of product development. As the New R&D Centre is not ready, these machineries and equipment have been temporarily placed in other production facilities of the CPM Group in Mainland China, and will be moved to the New R&D Centre upon its establishment. During the year, these machineries and equipment had been utilised in production. It is expected that the CPM Group will locate suitable office premises and establish the New R&D Centre by 30 June 2022.

Taking into account the current challenges of the deleveraging campaign of the real estate industry in Mainland China as well as the increasing international crude oil price and the shortage of crude oil by-product supply, the directors of the CPM Group take a cautious approach to the business environment of the paint and coating industry in Mainland China.

PROPERTY INVESTMENT

Over the past decades, the Group have acquired certain investment properties, including residential, industrial, commercial premises, hotel and serviced apartment buildings in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flows for long-term investment purposes.

As at 31 December 2021, the Group held an investment property portfolio consisting of 16 (2020: 16) properties with gross floor area of 313,884 square feet ("sq.ft.") (2020: 337,463 sq.ft.), including investment properties held by the CPM Group. These investment properties included residential, commercial, serviced apartment and industrial properties in Hong Kong and Mainland China for generating stable recurring income and cash flows for long-term investment purposes.

In 2019, the Group entered into a tenancy agreement with Tang's Living Guesthouse (Morrison Hill Road) Limited ("Tang's Living"), an independent third party of the Group, to lease to Tang's Living an investment property currently used as a hotel located in Wan Chai, Hong Kong (the "Wan Chai Hotel") at a monthly rental of approximately HK$1.33 million for a term of three years from 31 May 2019 to 30 May 2022 with an option to renew the lease for two consecutive terms at the prevailing market rate. Tang's Living has stopped paying the rent of the Wan Chai Hotel since February 2021 and has requested to early terminate the tenancy agreement in June 2021. After several rounds of negotiation, on 8 November 2021, a surrender agreement was signed between the Group and Tang's Living in which Tang's Living committed its payment to the Group of the outstanding rents for the period from 1 January 2021 to 31 May 2022, i.e. the expiry date of the tenancy agreement, with a rent-free period of three months. The Wan Chai Hotel was handed over to the Group on 8 November 2021.

Revenue for the year ended 31 December 2021 amounted to approximately HK$29.55 million as compared to the same of approximately HK$31.57 million in 2021. Segment profit amounted to approximately HK$45.39 million, as compared to the segment loss of approximately HK$63.37 million in 2020. The change in segment results from a loss in 2020 to a profit in 2021 was primarily due to the net fair value gains of approximately HK$15.38 million as at 31 December 2021 as compared with the net fair value losses of approximately HK$93.88 million on the investment properties held by the Group in Hong Kong and Mainland China as at 31 December 2020. The net fair value gains in 2021 were primarily due to the appreciation of the investment properties located in Hong Kong. Such gains were consistent with the overall market conditions of commercial, hotel and serviced apartment in Hong Kong during the year.

As at 31 December 2021, the aggregate market value of investment properties held by the Group amounted to approximately HK$601.38 million (2020: HK$840.18 million), including investment properties held by the CPM Group, representing a decrease of 28.4% when compared to the same in 2020. Such decrease was primarily due to the increase in the net fair value gains of the Group's investment property portfolio in 2021 of approximately HK$15.38 million and the exchange realignment upon the appreciation of Renminbi assets but offset by the reclassification of approximately HK$261.50 million in relation to the building currently used for the Group's hotel business to property, plant and equipment during the year.

The average occupancy rate in 2021 was maintained at 95.1%, as compared to the same of 95.8% in 2020. The steady average occupancy rate was mainly due to the high retention rate of existing tenants renewing tenancy agreements during the year. The recorded gross rental income (including inter-group rental income) dropped to approximately HK$34.27 million in 2021 as compared to approximately HK$36.48 million in 2020.

The business model of the Group is designed to balance short-term capital needs and long-term financial strength. While the Group strategically holds selected properties for investment for stable recurring rental income and capital appreciation, the Group may also sell certain properties for investment to fund its business, operations and expansion plans. This allows the Group to generally fund its operations through cash flows stemming from the rental income while allowing it to benefit from additional capital from the sale of these properties for overall operations. The Group is also able to enjoy potential capital appreciation on its properties for investment over the long-term to take advantage of prime locations of its properties.

Property under Development

Currently, the Group is holding a land located in Au Tau, Yuen Long (the "Au Tau Land"). The Group intends to use the Au Tau Land for heritage preservation and the development of sports or culture including arts, antique gallery and heritage education, and the construction of the Elderly Homes (as defined below). An application under Section 16 of the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong) was submitted to the Town Planning Board (the "TPB") on 30 September 2021 for permission on (i) the conservation of the historical building Pun Uk (潘屋); (ii) the construction of a place of recreation, sports or cultural centre; and (iii) the construction of a social welfare facility which aims for the provision of residential care homes for the elderlies (the "Elderly Homes") with ancillary eating place (the "Proposed Development"). The Au Tau Land covers a total site area of about 3,663.9 square metres ("sq.m.") and is currently occupied by a Grade 1 historical building built in 1934, Pun Uk. Pun Uk is a traditional Hakka (客家) mansion with Qing vernacular design features and is commonly named "Sze Tsz Uk" or "Mansion of the Lions". The building design and the environmental settings of its two-hall-two-row plan with a half-moon shaped pond in front of the mansion represents a strong cultural and historical identity for local built architecture. The heritage is richly decorated with carvings, wall paintings, plastered mouldings of auspicious motifs of birds, plants, flowers, animals and characters with high heritage value.

Under the Proposed Development, there will be three non-domestic blocks and approximately 530 beds in the Elderly Homes. The northern block of the proposed Elderly Homes would be six storeys comprised of a basement, the first floor to the sixth floor, whereas the southern block will be five storeys comprised of the first floor to the fifth floor. Essential functional areas and rooms, such as administration office, dining area, staff room and other supporting facilities will also be included in the design. In addition, there will be six parking lots including one disabled parking lot. Pun Uk is located near the center of the Au Tau Land. The Au Tau Land is currently categorised as "Undetermined" and "Government, Institution or Community" purposes in its zoning. All uses and developments that may take place in the undetermined zone will require the permission from the TPB.

Since 1997, the Hong Kong government has introduced a strategic policy of "Care for the Elderly" to address the growing ageing population in the city due to decreased fertility and longer life expectancy. Residential care services for the elderly are available from both public and private providers operating the residential care homes for the elderly ("RCHE(s)"). The Hong Kong Government also encourages non-governmental organisations to operate RCHEs. However, there has been a long waiting time for securing a place in a subsidised RCHE. Accordingly, the Hong Kong government introduced the Enhanced Bought Place Scheme (the "EBPS") in 1998 to purchase the places in private RCHEs so as to increase the availability of subsidised places for the elderly. As part of the EBPS, participating private RCHEs would also have to enhance their staffing ratio and per capita space, thus improving their service quality. To ensure that subsidised RCHEs are taken up by elderly with genuine needs, the Social Welfare Department introduced the Standardised Care Need Assessment Mechanism For Elderly Services in 2000 to match the elderly with the appropriate type of RCHEs.

In March 2017, the Social Welfare Department launched the Pilot Scheme on Residential Care Service Voucher ("RCSV"). Adopting the "money-following-the-user" principle, elderly persons can freely choose and switch among RCHEs according to their needs. RCSV also allows the elderly person who can afford less to receive more subsidies from the government, and the co-payment level is determined according to the asset and income of the elderly person on an individual basis. RCSV has been extended for three years from March 2020 to March 2023.

The Hong Kong government is putting in place a series of forward-planning initiatives to meet the challenges brought by the continuous growth in demand for elderly services due to an ageing population, including speeding up the provision and improving the quality of RCHEs. The increase in chronic diseases and physiological deterioration among the elderly are also driving the demand for residential care services in RCHEs in Hong Kong.

The future opportunities to the RCHE market in Hong Kong include:

- rising standards of living will lead to a need for better quality residential care services;
- the Hong Kong government will continue to increase the number of subsidised RCHE places; and
- the extension of RCSV will provide an opportunity for RCHEs with a higher price to intake the participants of the RCSV.

With the anticipated development of RCHE and increasing demand for RCHE, it is perceived that RCHE can bring a significant benefit to the society and the Group.

IRON AND STEEL TRADING

The Group is currently trading in ferrous metals and specialises in tinplate trading.

In view of the severe competition and the sluggish economic conditions in the domestic economy in Mainland China, the sales for tinplate products significantly decreased by 63.8% as compared to last year. The gross profit margin however increased from 0.4% in 2020 to 3.5% in 2021. Because of the insignificant scale of business operation, the Group is considering a downsizing of the iron and steel trading business.

HOTEL BUSINESS

In December 2021, the Group appointed a hotel management company to operate the Wan Chai Hotel. The hotel management company is experienced in operating small to medium-sized hotels. Renovation and redecoration works have been performed on the Wan Chai Hotel, the soft opening of which took place in March 2022. Hence, no revenue was generated from the hotel business of the Group. The target customers of the Wan Chai Hotel include international travelers and Hong Kong residents under the boom of "staycation". Currently, travel restrictions coming to Hong Kong leads to a low demand in room occupancy rate and is causing an adverse impact on the pricing. Furthermore, the hotel operation suffered from a labour shortage of front-line staff which is posing challenges to the operation of the hotel.

EQUITY INVESTMENTS

Equity Investments Designated at Fair Value Through Other Comprehensive Income

The Group has 12.5% equity interest in Profitable Industries Limited (the "PIL"), an investment holding company with a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, Mainland China as its principal asset. The Cemetery is operated under the name of "Fortune Wealth Memorial Park". Its principal activities are the development, construction, management and operation of a cemetery. The main types of products of the Cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

As disclosed in the interim report of Chuang's China Investments Limited (stock code: 298) for the six months ended 30 September 2021, the Fortune Wealth Memorial Park operated as a cemetery with a site area of approximately 518 mu. The development of the project is launched in different phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. Based on the existing master layout plan of Phase II to Phase V, about 41,815 grave plots will be constructed covering land area of 268 mu and 150 mu of road access and greenbelts. For Phase II to Phase III, land use rights of approximately 143 mu had been obtained, which will accommodate a total of about 22,569 grave plots. For Phase IV to 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 19,246 grave plots. Fortune Wealth Memorial Park will follow-up with the local authorities for the grant of the remaining land use rights.

The Group has engaged an independent professional appraisal firm to perform a valuation on the fair market value of the PIL as at 31 December 2021 based on "Adjusted Net Asset Value" method which has taken into account, inter alia, property valuation of the Cemetery and a discount for the Group's minority holding in the PIL. The fair market value of this equity investment as at 31 December 2021 was approximately HK$41.76 million when compared with approximately HK$40.02 million as at 31 December 2020.

Financial Assets at Fair Value Through Profit or Loss

In 2021, the Group allocated HK$10.0 million for the investment in listed securities. The Group appointed an investment fund manager to operate the investment fund so that it can also benefit from professional analysis and risk management on the global financial markets.

In 2021, the Group recorded net losses on dealings in financial asset at fair value through profit or loss held for trading of approximately HK$0.97 million and net fair value gains on financial assets at fair value through profit or loss held for trading of approximately HK$0.34 million.

OUTLOOK

The COVID-19 pandemic has entered its third year and Hong Kong's society and the economy continued to suffer as a result of the COVID-19 pandemic. The new variants, Delta and Omicron, have worsened the situation. Stringent precautionary measures continue to be implemented by the governments. The society and economy faced different levels of disruption to almost all aspects, from the supply of medical services to the food supply and then to the public transportation.

The economic growth is expected to slow in Mainland China due to the contraction in property sales and the zero-COVID policy causing strict enforcement of strict lockdown measures. Moreover, the Russia-Ukraine conflict has increased the probability of recession, particularly in Europe. Global stock markets are in decline and the dollar is surging against other currencies as investors rush for the safe assets. Commodity prices increases, financial sanctions and the possibility of a ban on energy imports from Russia are destabilising an economy which has already been weakened by the COVID-19 pandemic. The Group has taken various measures and precautions to ensure a safe and healthy working environment, thus preventing the spread of the COVID-19. Group employees have been asked to conduct meetings online and to reduce business travel. Additionally, the Group will do everything possible to prevent the variants (Delta and Omicron), as well as train its employees so that they can operate in a safe manner to sustain its business development.

Mainland China is the principal market of the CPM Group. The CPM group still faces numerous challenges, including the ongoing trade tensions between China and the United States, currency fluctuations, shortage in raw materials supplies and increasingly competitive local markets. Along with those challenges, the CPM Group also suffers from the significant increase in raw material prices as a result of supply chain disruptions in Mainland China and a substantial increase in international crude oil prices because of the Russia-Ukraine conflict. The management of the CPM Group recognises the importance of continual improvement to its business operations and profitability. Therefore, the CPM Group will not only keep its core business initiatives, but also explore OEM (original equipment manufacturers) collaborations with paint and coating manufacturers in Mainland China in order to amplify its market share.

On the other hand, the CPM Group has yet to find suitable office premises in Shenzhen for setting up the New R&D Centre due to the COVID-19 pandemic. However, the CPM Group has continually invented new paint and coating products as well as new and modified paint and coating formulations. The CPM Group has also purchased machineries and equipment for the use of product development and planned to move them into the New R&D Centre upon establishment.

The COVID-19 created threats and opportunities which have changed the business environment in which the CPM Group operates. The CPM Group will continue to identify business and acquisition opportunities that could enhance the development of the paint and coating business in Mainland China.

In 2022, the economy in Hong Kong is expected to continue its gradual recovery. However, uncertainties persist in light of the latest development of Omicron, which has led to implementations of stringent preventive measures disrupting economic activities and resulting in the closure of businesses. Nevertheless, Hong Kong is well positioned under the principle of "One Country, Two Systems" and it is expected that it will benefit from the continuous growth of the Greater Bay Area and the recovery of the global economic prospects.

The property market in Hong Kong is expected to gradually recover in 2022 following the gradual economic recovery in 2021. With the possibility of resumption of cross-border travel with Mainland China, retail business in Hong Kong may slowly pick-up. Thus, the gross leasing volume may also be improved in 2022.

Hotel business in Hong Kong is principally impacted by the COVID-19 pandemic and the government's strict quarantine measures. The hotel industry is facing challenges due to the decrease in travelers and the shortage of labour. With the epidemic situation steadily improving in the long run, the strict quarantine restrictions would gradually be relaxed. Once the border reopens, the number of visitors would increase hence bringing a positive impact to the hotel business.

The Chinese government aims to maintain a stable real estate industry. The national policies in Mainland China remain rigorous in emphasising that "house is for accommodation, but not speculation". The COVID-19 pandemic has not derailed the Chinese government's urbanisation plan. The property market in Mainland China is expected to be constantly affected by the government's policy of balancing supply and demand and accelerating the establishment of a long-term stable and healthy development mechanism. The Group remains conservatively optimistic on the steady and healthy growth of the real estate market in Mainland China.

The Group will constantly monitor the investment property markets in Hong Kong and Mainland China and will act prudently in making any decision on the acquisition of new property for investment purpose.

For equity investment, the Group intends to invest the allocated fund to the global securities markets to seek for a higher return than the current income from fixed deposits. The Board believes that this investment is in the interest of the Group and the shareholders of the Company as a whole.

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$20.63 million for the year, as compared to a loss attributable to the shareholders of approximately HK$94.24 million last year. Revenue for the year amounted to approximately HK$881.02 million, representing an increase of 12.7%, as compared to the same of last year. Gross profit for the year amounted to approximately HK$196.13 million, representing a decrease of 20.8%, as compared to the same of last year. The gross profit margin decreased by 9.4 percentage point from 31.7% in 2020 to 22.3% in 2021.

SEGMENT INFORMATION

Business Segments

Paint and Coating Products

Paint operation continued to contribute the largest revenue to the Group with revenue of approximately HK$838.07 million, accounting for 95.1% of the Group's total revenue. Segment revenue for the year increased by 15.5%, as compared to the same of last year. However, the paint and coating industry is facing difficulty arising from the high raw material cost due to high international crude prices, a global shortage of raw materials and the disruption to the global supply chain throughout 2021. These increases in the production costs could not be compensated by the increases in the selling prices. As a result, the gross profit margin decreased by 10.5 percentage point from 30.3% in 2020 to 19.8% in 2021. Segment loss for the year amounted to approximately HK$57.40 million, representing a significant increase of 752.7%, as compared to the segment loss of approximately HK$6.72 million in 2020. The significant increase in segment loss was primarily due to the decrease in gross profit margin.

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 in order to maintain the gross profit margin of the paint and coating products.

Property Investment

Property investment operation reported revenue of approximately HK$29.55 million, accounting for 3.4% of the Group's total revenue. Segment profit for the year approximately HK$45.39 million, as compared to the segment loss of approximately HK$63.37 million last year. The significant increase in segment profit was primarily due to the absence of net fair value losses of the investment properties of approximately HK$93.88 million in 2020 and the record of net fair value gains of the investment properties of approximately HK$15.38 million during the year.

Iron and Steel Trading

Iron and steel operation reported revenue of HK$13.40 million, accounting for 1.5% of the Group's total revenue. Revenue for the year decreased by 63.8%, as compared to the same of last year, as the demand for tin mill black plate in Mainland China decreased significantly during the year, with the severe competition as well as the sluggish economic conditions in Mainland China under the COVID-19 pandemic. Segment profit for the year amounted to approximately HK$0.75 million, as compared to the same of approximately HK$0.34 million last year. The gross profit margin increased from 0.4% in 2020 to 3.5% in 2021.

Hotel Business

As the Group commenced the hotel business in the end of 2021, no revenue was generated from this business segment.

Geographical Segments

All of the Group's businesses are mainly operated in Mainland China and Hong Kong. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK$790.41 million (2020: HK$687.15 million) and approximately HK$90.61 million (2020: HK$94.36 million), respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK$455.16 million as at 31 December 2021, as compared to approximately HK$502.12 million as at 31 December 2020. The total cash and bank balances, including structured deposits and pledged deposits, amounted to approximately HK$497.47 million as at 31 December 2021 when compared with approximately HK$510.66 million as at 31 December 2020. Bank borrowings amounted to approximately HK$269.21 million as at 31 December 2021, as compared to approximately HK$269.69 million as at 31 December 2020. The Group's bank borrowings mainly carried interest at floating rates. The Group's total bank borrowings as at 31 December 2021 amounted to approximately HK$269.21 million (100%) which was payable within one year.

Gearing ratio of the Group which was expressed as a percentage of total bank borrowings to shareholders' fund was 17.4% as at 31 December 2021 compared with 17.0% as at 31 December 2020.

Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 1.55 times as at 31 December 2021 compared with 1.75 times as at 31 December 2020.

For the year ended 31 December 2021, the inventory turnover days[1] were 44 days in 2021 compared with 54 days in 2020. The trade and bills receivables turnover days[2] were increased from 184 days in 2020 to 187 days in 2021.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2021 was approximately HK$1,546.00 million compared with approximately HK$1,584.67 million as at 31 December 2020. Net assets value per share as at 31 December 2021 was HK$0.88 compared with HK$0.91 as at 31 December 2020. Shareholders' funds per share as at 31 December 2021 was HK$0.81 compared with HK$0.83 as at 31 December 2020.

Contingent Liabilities

At 31 December 2021, no banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised compared with approximately HK$8.60 million as at 31 December 2020.

Pledge of Assets

Certain property, plant and equipment, investment properties and cash deposits with an aggregate net book value of approximately HK$520.81 million as at 31 December 2021 (31 December 2020: HK$473.85 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings, performance bonds and bills payable. The total outstanding secured bank borrowings amounted to approximately HK$189.21 million as at 31 December 2021 (31 December 2020: approximately HK$219.69 million) and bills payables amounted to approximately HK$136.50 million as at 31 December 2021 (31 December 2020: HK$8.60 million).

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 2020: 366 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 2020: 366 days).

TREASURY MANAGEMENT

Funding and Treasury Policy

The Group adopts a prudent approach in its funding and treasury policy, which aims to maintain an optimal financial position for the Group and minimise 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 dollars, Renminbi and United States dollars. The Group's results can be affected by movements in the exchange rate between Hong Kong dollars, Renminbi and United States dollars. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2021. 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 2021, the Group invested a total sum of approximately HK$18.32 million (2020: HK$30.37 million) in the acquisition of property, plant and equipment.

HUMAN RESOURCES

Headcount as at 31 December 2021 was 757 (31 December 2020: 809). Staff costs (excluding directors' emoluments) amounted to approximately HK$142.45 million for the year as compared to approximately HK$141.86 million last year. 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 located 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 the 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

Loss of market share to competitors is the market risk to the Group. The Group's core markets in Hong Kong and Mainland China are subject to increasing competition. Loss of business to competitors resulting from failure to consider changes in Hong Kong and Mainland China could have an adverse effect on the Group's financial position. The Group has specialised sales and marketing teams and is committed to protect existing business with competitive pricing policies and high-quality green and safe paint and coating products.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, safety standards, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year, the Group has carried out the following environmental works for the paint and coating 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, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

UPDATE ON DERIVATIVE ACTION

As at the date of this announcement, the derivative action initiated by Chinaculture.com Limited against certain directors of the Company and the Company is still ongoing. The Company is named as a nominal defendant in such derivative action.

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 2021. 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 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE REVIEW

The audit committee of the Board has met the external auditors of the Company, Messrs. Ernst and Young ("EY"), and reviewed the Group's annual results for the year ended 31 December 2021.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by EY, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

CORPORATE GOVERNANCE

For the year ended 31 December 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2021.

On behalf of the Board
CNT Group Limited
Lam Ting Ball, Paul
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as executive directors; Mr. Tsui Ho Chuen, Philip, Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. Wu Hong Cho as non-executive directors; and Mr. Ko Kwok Fai, Dennis, Mr. Huang De Rui, Mr. Zhang Xiaojing, Ms. Lin Yingru and Mr. Cheng Wai Po, Samuel as independent non-executive directors.