



CNT GROUP LIMITED
北海集團有限公司

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

Annual Report 2021





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul (*Chairman*)

Chong Chi Kwan (*Managing Director*)

Non-executive Directors

Tsui Ho Chuen, Philip

Chan Wa Shek

Zhang Yulin

Wu Hong Cho

Independent Non-executive Directors

Ko Kwok Fai, Dennis

Huang De Rui

Zhang Xiaojing

Lin Yingru

Cheng Wai Po, Samuel

AUDIT COMMITTEE

Ko Kwok Fai, Dennis (*AC Chairman*)

Huang De Rui

Wu Hong Cho

REMUNERATION COMMITTEE

Ko Kwok Fai, Dennis (*RC Chairman*)

Lam Ting Ball, Paul

Huang De Rui

NOMINATION COMMITTEE

Ko Kwok Fai, Dennis (*NC Chairman*)

Chong Chi Kwan

Zhang Xiaojing

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27th Floor, One Taikoo Place, 979 King's Road

Quarry Bay, Hong Kong

SHARE REGISTRARS

Hong Kong

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

Bermuda

Conyers Corporate Services (Bermuda) Limited

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

DBS Bank (Hong Kong) Limited

Nanyang Commercial Bank, Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

Unit E, 28th Floor, CNT Tower, 338 Hennessy Road

Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk



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.



Chairman's Statement

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 annual report 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.



Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

General Industry Background (continued)

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.



Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

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.



Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

Cost of Raw Materials

Raw materials used by the CPM Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. 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.



Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

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.



Management Discussion and Analysis

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 2020. 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.



Management Discussion and Analysis

PROPERTY INVESTMENT (continued)

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 elderly (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.



Management Discussion and Analysis

PROPERTY INVESTMENT (continued)

Property under Development (continued)

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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

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. The CPM Group will also continue to increase the production efficiency and reduce the production costs by implementing different measures, business collaborations and initiatives.

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.



Management Discussion and Analysis

OUTLOOK (continued)

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.



Management Discussion and Analysis

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 754.2%, 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.



Management Discussion and Analysis

SEGMENT INFORMATION (continued)

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 days¹ were 44 days in 2021 compared with 54 days in 2020. The trade and bills receivables turnover days² were increased from 184 days in 2020 to 187 days in 2021.

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).



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL INFORMATION (continued)

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).

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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.



Management Discussion and Analysis

UPDATE ON DERIVATIVE ACTION

As at the date of this report, the derivative action (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.

Updated information on the Derivative Action is set forth in the announcement of the Company dated 20 April 2022, which is after the date of this report.

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.



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2021, the Company has applied the principles and complied with the code provisions as set out in the CG Code, except that the non-executive Directors and the independent non-executive Directors are not appointed for a specific term. According to the Bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

THE BOARD

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

Executive Directors

Lam Ting Ball, Paul (*Chairman*)
Chong Chi Kwan (*Managing Director*)

Non-executive Directors

Tsui Ho Chuen, Philip
Chan Wa Shek
Zhang Yulin
Wu Hong Cho (*as from 1 December 2021*)

Independent Non-executive Directors

Wu Hong Cho (*up to 30 November 2021*)
Ko Kwok Fai, Dennis
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel

The biographical details of the Directors and the relationships among them, if any, are set out in the “Biographies of Directors and Senior Management” on pages 57 to 59.

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

The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has five independent non-executive Directors and three of the independent non-executive Directors possesses appropriate professional accounting qualifications or financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.



Corporate Governance Report

THE BOARD (continued)

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

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

Directors	Number of Board meetings attended/held	Number of general meeting attended/held
Executive Directors		
Lam Ting Ball, Paul	5/5	1/1
Chong Chi Kwan	5/5	1/1
Non-executive Directors		
Tsui Ho Chuen, Philip	5/5	1/1
Chan Wa Shek	4/5	1/1
Zhang Yulin	5/5	1/1
Wu Hong Cho	5/5	1/1
Independent Non-executive Directors		
Ko Kwok Fai, Dennis	5/5	1/1
Huang De Rui	5/5	1/1
Zhang Xiaojing	4/5	1/1
Lin Yingru	5/5	1/1
Cheng Wai Po, Samuel	5/5	1/1

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



Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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



Corporate Governance Report

DIRECTORS' TRAINING

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

Directors	Type of training
Executive Directors	
Lam Ting Ball, Paul	A, B, D
Chong Chi Kwan	A, B, D
Non-executive Directors	
Tsui Ho Chuen, Philip	A, B, D
Chan Wa Shek	A, B, D
Zhang Yulin	A, B, D
Wu Hong Cho	A, B, D
Independent Non-executive Directors	
Ko Kwok Fai, Dennis	A, B, C, D
Huang De Rui	A, B, D
Zhang Xiaojing	A, B, D
Lin Yingru	A, B, D
Cheng Wai Po, Samuel	A, B, D

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

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

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

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

BOARD COMMITTEES

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



Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee

During the year, the Audit Committee consisted of three non-executive Directors (the majority of which are independent): Mr. Wu Hong Cho (ceased to be the AC Chairman on 1 December 2021), Mr. Huang De Rui, and Mr. Chan Wa Shek. Mr. Ko Kwok Fai, Dennis was appointed as the AC Chairman and AC member on 1 December 2021. Mr. Chan Wa Shek ceased to be the AC member since 25 February 2022.

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2020 annual results and the 2021 interim results before recommending them to the Board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process, the effectiveness of the risk management and internal control systems of the Group, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee resolved by resolutions in writing to approve (i) the fees, terms and conditions of engaging the Company's external auditors to audit and report on the financial statements of the Group for the year ended 31 December 2020; and (ii) the scope and extent of the agreed-upon procedures engagement with respect to the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group. The attendance record of each committee member is set out below:

Directors	Number of committee meetings attended/held
Ko Kwok Fai, Dennis (<i>AC Chairman</i>) (<i>appointed on 1 December 2021</i>)	N/A
Wu Hong Cho (<i>ceased to be the AC Chairman on 1 December 2021</i>)	2/2
Huang De Rui	2/2
Chan Wa Shek	2/2

Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one executive Director: Mr. Ko Kwok Fai, Dennis (RC Chairman) (appointed on 1 December 2021), Mr. Wu Hong Cho (ceased to be the RC Chairman and RC member on 1 December 2021), Mr. Lam Ting Ball, Paul and Mr. Huang De Rui.

The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board. No Director is involved in deciding his/her own remuneration. Senior management of the Company comprises all the executive Directors only. Details of their remuneration are set out in note 8 to the financial statements. During the year, the Remuneration Committee held one meeting to review and approve the remuneration policy and the remuneration packages of the Directors. The attendance record of each committee member is set out below:

Directors	Number of committee meeting attended/held
Ko Kwok Fai, Dennis (<i>RC Chairman</i>) (<i>appointed on 1 December 2021</i>)	N/A
Wu Hong Cho (<i>ceased to be the RC Chairman and RC member on 1 December 2021</i>)	1/1
Lam Ting Ball, Paul	1/1
Huang De Rui	1/1



Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee

During the year, the Nomination Committee comprised two independent non-executive Directors and one executive Director: Mr. Ko Kwok Fai, Dennis (NC Chairman) (appointed on 1 December 2021), Mr. Wu Hong Cho (ceased to be the NC Chairman and NC member on 1 December 2021), Mr. Chong Chi Kwan and Mr. Zhang Xiaojing.

The Nomination Committee met once during the year to review the structure, size, composition and diversity of the Board and assess the independence of independent non-executive Directors, to recommend the re-election of retiring Directors, and to review the board diversity policy and the nomination policy of the Company. The Nomination Committee resolved by resolutions in writing to approve the re-designation of Mr. Wu Hong Cho from an independent non-executive Director to a non-executive Director with effect from 1 December 2021. The attendance record of each committee member is set out below:

Directors	Number of committee meeting attended/held
Ko Kwok Fai, Dennis (<i>NC Chairman</i>) (<i>appointed on 1 December 2021</i>)	N/A
Wu Hong Cho (<i>ceased to be the NC Chairman and NC member on 1 December 2021</i>)	1/1
Chong Chi Kwan	1/1
Zhang Xiaojing	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

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

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



Corporate Governance Report

INTERNAL AUDIT

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

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

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

POLICY ON DISCLOSURE OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE FUNCTIONS

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

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



Corporate Governance Report

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard as set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's own code during the year ended 31 December 2021.

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

EXTERNAL AUDITORS' REMUNERATION

In 2021, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration HK\$
Audit services	4,888,000
Non-audit services	543,000
	<hr/>
	5,431,000
	<hr/> <hr/>

The non-audit services rendered by the Company's external auditors to the Group included performance of agreed-upon procedures on the 2021 interim financial statements and the preliminary results announcement for the year ended 31 December 2021, the audit examination of the statement on details of contributions of the Group's occupational retirement schemes and performance of a review on continuing connected transactions for the year ended 31 December 2021.

RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement by the Company's external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 66 to 70.



Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with the Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars.

The 2021 AGM provided an opportunity for communication between the Shareholders and the Board, at which the Chairman and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee had attended to answer questions from the Shareholders. Details of the procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of Shareholders at the meeting were taken by poll and the poll results were published on the websites of each of the Company and Hong Kong Exchanges and Clearing Limited after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of Directors.

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

Convening a special general meeting

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



Corporate Governance Report

SHAREHOLDERS' RIGHTS (continued)

Putting forward proposals at general meeting

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

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

Making enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

On behalf of the Board

CNT Group Limited

Lam Ting Ball, Paul

Chairman

Hong Kong, 30 March 2022



Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

The Board is pleased to present the environmental, social and governance (“ESG”) report (the “ESG Report”) of the Company for the year ended 31 December 2021 (the “Reporting Period”). The ESG Report outlines the policies, sustainability strategies, management approach and initiatives implemented by the Group and the performance of the Group in environmental and social aspects of its business.

Reporting Scope

The ESG Report covers the Group’s businesses in the trading of iron and steel products and related investments and property investment (excluding the manufacture and sale of paint and coating products[#]) in Mainland China and Hong Kong. During the Reporting Period, there were no significant changes to the scope of reporting.

Reporting Basis

The ESG Report discloses the required information under the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. The relevant provisions and details are set out at the end of the ESG Report.

Reporting Principles

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

1. Materiality

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

2. Quantitative

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

3. Balance

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

4. Consistency

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

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



Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Report of Chairman

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

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

Under the COVID-19 pandemic, the employees of the Group show team spirit and the Group provides multi-pronged support to employees at the time of the severe epidemic to protect them from infection and stop the spread of the COVID-19 in society. The prevention and control measures include providing epidemic prevention materials to employees. Despite the severity of the pandemic, the Group still pays attention to the employees remuneration and benefits, career development opportunities, provides a safe working environment and keeps the initial aim of embracing corporate social responsibility. However, there might be a long way to fight against the pandemic. The Group hopes that all of the employees and society will continue to put unremitting efforts in leading through the crisis and challenges and make continuous progress towards sustainable development.

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

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

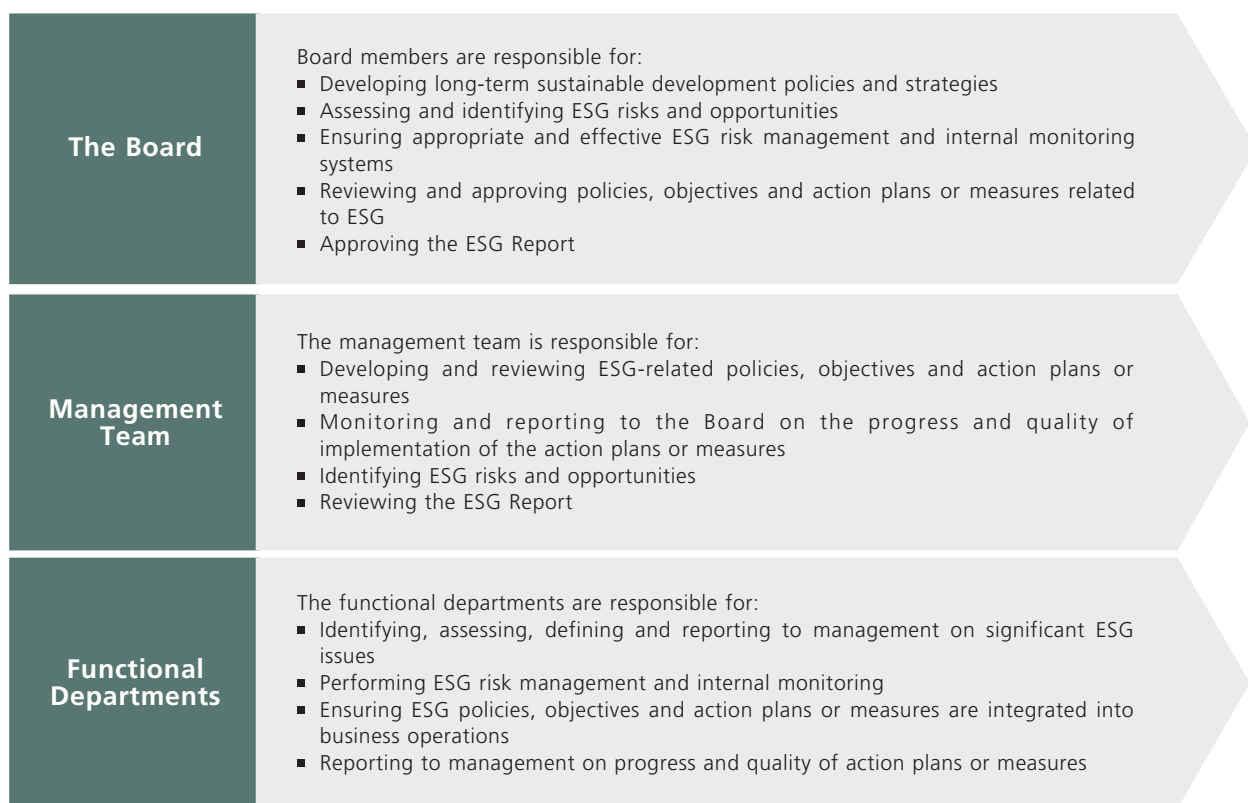


Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Governance structure

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



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



Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement

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

Stakeholders	Expectations and requests	Means of communication	Management response
Government/ regulatory organisations	<ul style="list-style-type: none"> ➤ Compliance with the laws and regulations ➤ Fulfill tax obligation ➤ Joint efforts in combating the COVID-19 	<ul style="list-style-type: none"> ➤ Periodic reports or announcements ➤ Correspondences ➤ Official website of the Company 	<ul style="list-style-type: none"> ➤ Uphold integrity and operational compliance ➤ Pay tax on time and make contribution to society ➤ Establish comprehensive and effective internal control systems ➤ Follow the government's COVID-19 prevention measures and guidelines to prevent the spread of the COVID-19
Shareholders/ investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Information transparency ➤ Corporate governance system 	<ul style="list-style-type: none"> ➤ Information disclosed on the websites of the Stock Exchange and the Company ➤ General meeting ➤ Shareholders or investors enquiry hotline and fax 	<ul style="list-style-type: none"> ➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Maintain the highest standards of openness, probity and accountability ➤ Ensure transparent and efficient communications by dispatching information on the websites of the Company and the Stock Exchange ➤ Continue to focus and improve the risk management and internal control system
Employees	<ul style="list-style-type: none"> ➤ Labour rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety ➤ Joint efforts in combating the COVID-19 	<ul style="list-style-type: none"> ➤ Employee performance evaluation ➤ Induction and on-the-job training ➤ Internal meetings and announcements ➤ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➤ Set up contractual obligations to protect labour rights ➤ Encourage employees to participate in continuous education and professional training to enhance competency ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and workplace safety ➤ Provide the COVID-19 prevention materials



Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement (continued)

Stakeholders	Expectations and requests	Means of communication	Management response
Customers	<ul style="list-style-type: none"> ➤ High-quality products and efficient customer services ➤ Timely delivery ➤ Reasonable price/rent ➤ Joint efforts in combating the COVID-19 	<ul style="list-style-type: none"> ➤ Business visit ➤ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➤ Provide high-quality products and services continuously in order to maintain customers' satisfaction ➤ Establish an effective, efficient and green supply chain system ➤ Formulate comprehensive quality assurance process and recall procedures ➤ Ensure proper contractual obligations are in place
Suppliers	<ul style="list-style-type: none"> ➤ Stable demand ➤ Good relationship with the Company ➤ Corporate reputation ➤ Joint efforts in combating the COVID-19 	<ul style="list-style-type: none"> ➤ Business visit ➤ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➤ Ensure fulfilment of contractual obligations ➤ Establish policies and procedures in supply chain management ➤ Promote fair and open competition ➤ Establish and maintain the long-term co-operative relationship with quality suppliers ➤ Stringent in selecting suppliers
Community	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Reduce greenhouse gas emissions ➤ Effective use of resources ➤ Community involvement ➤ Economic development and community employment ➤ Joint efforts in combating the COVID-19 	<ul style="list-style-type: none"> ➤ Website of the Company 	<ul style="list-style-type: none"> ➤ Pay attention to the problem of climate change ➤ Encourage employees to participate in charitable activities and voluntary services ➤ Strengthen energy saving and emission reduction management ➤ Ensure good and stable financial performance and business growth ➤ Follow the government's COVID-19 prevention measures and guidelines to prevent the spread of the COVID-19

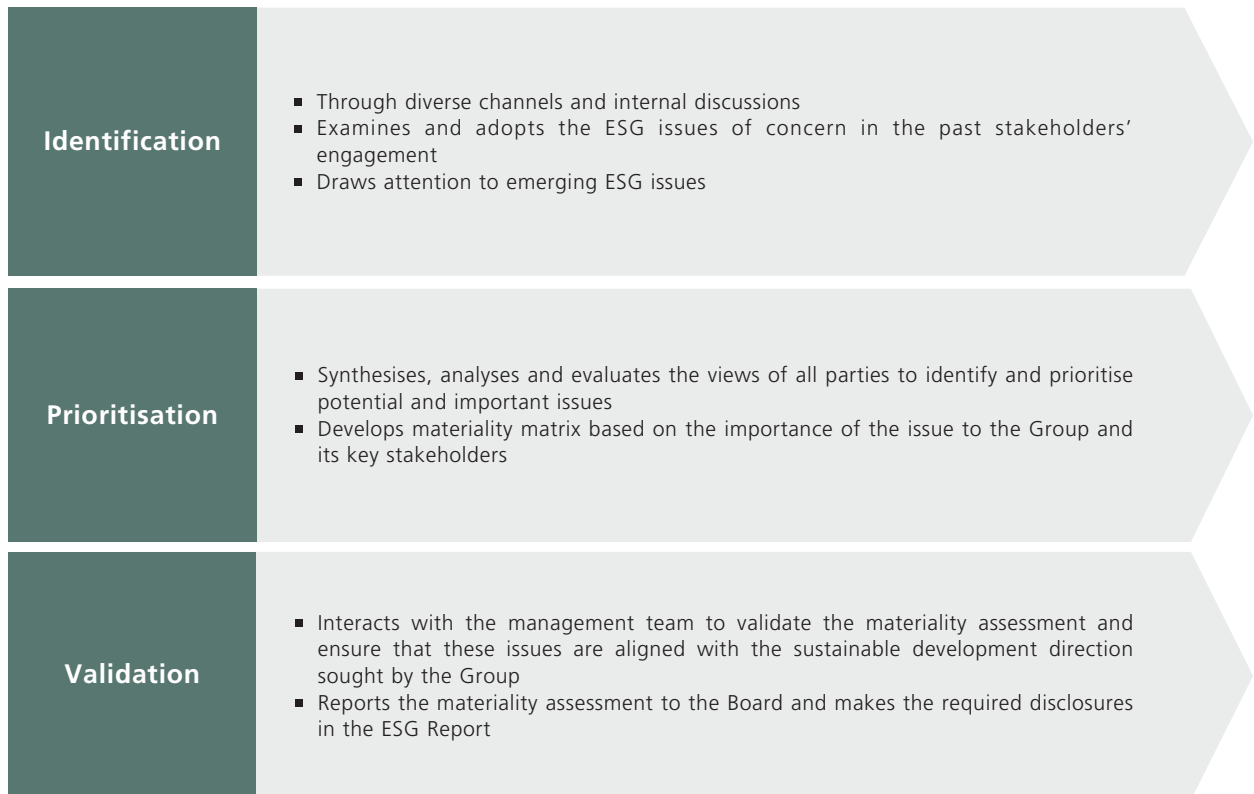


Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment

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



Environmental, Social and Governance Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment (continued)

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

Materiality Matrix

Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination ◆ Protecting labour rights 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunities ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> > Customers' satisfaction level > Product and customer service quality > Product safety > Suppliers management > Anti-epidemic ◆ Occupational health and workplace safety ◆◇ Anti-epidemic
	Medium	<ul style="list-style-type: none"> > Community involvement 	<ul style="list-style-type: none"> > Anti-corruption ◇ Air and greenhouse gas emissions 	<ul style="list-style-type: none"> > Operational compliance > Customers' data and privacy security measures
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labour ◇ Utilisation of water resources ◇ Generation of non-hazardous waste 	<ul style="list-style-type: none"> ◇ Energy conservation 	
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	> Operational



Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

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

Emissions Management

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

The Group strictly abides by the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People’s Republic of China on the Prevention and Control of Water Pollution in Mainland China, the Waste Disposal Ordinance, the Water Pollution Control Ordinance in Hong Kong and other applicable laws and regulations of environmental protection in Mainland China and Hong Kong. The Group keeps track of the latest environmental protection laws and regulations regularly in order to strengthen its environmental policies and measures accordingly.

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



Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources

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

1. Energy Conservation

Electricity Conservation

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

Petrol Conservation

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

2. Water Conservation

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

3. Paper Conservation

The Group actively promotes the green office policy by encouraging the staff to save and reduce paper wastage through various measures and to reduce reliance on paper-based documents. The Group also encourages employees to distribute files in electronic format and make photocopies and/or print documents on both sides of the papers so as to minimise unnecessary photocopying and printing. The Group also encourages employees to fully utilise papers by reusing one-side used papers and envelopes, collecting double-sided wasted papers for recycling and tracking photocopier papers by electronic log. During the Reporting Period, the Group consumed approximately 0.77 tonnes of paper (2020: 0.77 tonnes).



Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION (continued)

The Environment and Natural Resources

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

Climate Change

Climate change is expected to worsen the frequency and severity of extreme weather events and cause catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena. The unprecedented crisis from the global spread of the COVID-19 has created significant challenges worldwide while the risks of climate change are still imminent. Understanding of these trends and the relationship with its businesses can help the Group to prepare, analyse possible risks and opportunities, seize the opportunities of potential benefits and establish the response capacity of the Group in the long run. The Group believes that a robust response to climate change requires concerted efforts of all stakeholders. Therefore, it will continuously identify and address stakeholders' expectations to optimise its environmental measures in order to achieve sustainable development and create long-term values for the stakeholders and society as a whole.

EMPLOYMENT AND LABOUR PRACTICES

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

Employment

In order to strictly comply with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China in Mainland China, the Employment Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Anti-discrimination Ordinances in Hong Kong and other applicable laws and regulations in Mainland China and Hong Kong, the Group has established an internal management system which specifies the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

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

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



Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

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

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

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

As at 31 December 2021, the numbers and distributions of the employees of the Group are as follows:

	2021	2020
Gender		
Male	12	12
Female	11	12
Employment Type		
Full-time	23	24
Part-time	–	–
Age Group		
Under 45	10	10
46-60	6	7
Over 60	7	7
Geographical Region		
Mainland China	2	2
Hong Kong	21	22

Note:

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



Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

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

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

	2021	2020
Gender		
Male	0.72%	1.29%
Female	2.14%	–
Age Group		
Under 45	–	–
46-60	3.57%	1.06%
Over 60	1.19%	1.18%
Geographical Region		
Mainland China	–	–
Hong Kong	1.57%	0.75%

2. *Compensation, Welfare and Other Benefits*

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

The Group has established proper dismissal and retirement policies. Social security benefits are provided to all employees. The employees in Mainland China participate in the “Five Insurances and Housing Provident Fund” while the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. The Group also compensates the dismissed employees in accordance with the applicable laws and regulations.

3. *Working Hours and Rest Periods*

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

4. *The Impact of the COVID-19*

The Group did not layoff any employees during the COVID-19 pandemic since early 2020 and the compensation and welfare of the employees remain unchanged during the Reporting Period. In order to reduce the risk of infection, the Group has adopted various preventive measures for the health and safety of its employees (please refer to the section headed “Health and Safety” below for details).



Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Health and Safety

As the operations of the Group are mainly executed in an office setting while no labour intensive work is involved and the occupational health and safety risks are relatively low. However, the Group still recognises that one of its core values is to protect and promote the health, workplace safety and well-being of the individual in the working environment. The Group has been continuously taking employees' health and workplace safety as its priority and has been creating a comfortable and hassle-free environment for its employees.

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

During the Reporting Period, the Group has adopted various preventive measures to reduce the risk of infection and spread of the COVID-19. These precautions include the provision of surgical masks and alcohol-based hand sanitisers to the employees, reminding employees to follow good respiratory and hand hygiene, ensuring the workplace is clean and hygienic, measuring body temperature of employees and visitors at the reception. Also, the Group only allows the employees and visitors, who do not have symptoms of infection of the COVID-19, to access the offices and requires them to wear masks and maintain social distance. The Company did not provide any drink and food to the attending shareholders, proxies or corporate representatives at the shareholders' meeting in order to minimise the risk of spread of the COVID-19.

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

Development and Training

An excellent corporate team is vital to the Group's sustainable and long-term business development. Therefore, the Group establishes a long-term talents development training strategy and encourages staff to continue their study and lifelong learning. Continuous training enhances the professional knowledge and skills of employees and provides reasonable assurance that the employees have sufficient technical knowledge, professional skills and ethics to perform duties efficiently and impartially. On-the-job training is provided to new employees. Besides, the human resources department works together with the supervisors of each department to provide new employees with the introduction of the organisational structure, corporate culture, rules and regulations, industry knowledge and job responsibilities. The latest industry information and related legislation updates in connection with the operations of the Group are dispatched to the staff from time to time. In general, employees have met the requirements and possessed the professional qualifications required by the Group before employment. In addition to the training provided by the Group, Directors and financial staff also arranged training themselves and the Group keeps record of these training activities. During the Reporting Period, the employees attended training on anti-corruption and related policy. The human resources department has planned to organise training on the whistleblowing policy and employee benefits for directors and employees in the coming year.



Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Development and Training (continued)

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

	2021	2020
Gender		
Male	100%	8.33%
Female	100%	8.33%
Employee Category		
Senior Management	100%	–
Middle Management	100%	28.57%
Lower Level Management	100%	–
Ordinary Staff	100%	–

During the Reporting Period, the average training hours¹ completed per employee of the Group are as follows:

	2021	2020
Gender		
Male	1.00	0.13
Female	1.09	0.08
Employee Category		
Senior Management	1.00	–
Middle Management	1.00	0.36
Lower Level Management	1.00	–
Ordinary Staff	1.08	–

Note:

¹ The average training hours refer to the number of training hours provided by the Group to the employees within the Reporting Period divided by the total number of the employees of the Group at the end of the Reporting Period.



Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Labour Standards

The Group observes the requirements under the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, the Employment Ordinance, Employment of Children Regulations, Employment of Young Persons (Industry) Regulations in Hong Kong and other applicable laws and regulations in Mainland China and Hong Kong. It cherishes human rights, prohibits any unethical hiring practices and does not allow hiring child labour and forced labour.

The human resources department conducts background checks and reference checks during the hiring process to prevent child labour. Besides, the Group has also implemented various measures to strictly prevent any forms of forced labour. For example, detention of employee's identity card or other identification documents is strictly prohibited, labour contract is signed by the employee on a fair and voluntary basis, any form of physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work. Also, the employees are compensated as appropriate in accordance with the applicable labour laws and regulations.

Compliance

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

OPERATING PRACTICES

Supply Chain Management

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

Product and Service Responsibility

1. Trading of Iron and Steel Products

Customers are always the Group's priority. The Group is committed to providing its customers with good quality products and customer services. In order to strengthen the product quality control, maintain credibility and protect customer rights and interests, the Group follows stringent procedures in vendor management to monitor and manage the product quality level and the suppliers' performance closely. Besides, the Group has established a sound customer relationship management system. Customer service representatives are responsible for handling customer recalls and complaints promptly.



Environmental, Social and Governance Report

OPERATING PRACTICES (continued)

Product and Service Responsibility (continued)

2. Property Investment

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

Customer Data Protection and Privacy Policies

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

Maintenance and Protection of Intellectual Property Rights

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

Recall of Products and Customer or Tenant Complaints

During the Reporting Period, the Group has no recall on the products which have been sold or shipped due to safety and health reasons and has not received any products and service-related complaints from the customers or tenants.

Compliance

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

Anti-corruption

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

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



Environmental, Social and Governance Report

COMMUNITY

Community Investment

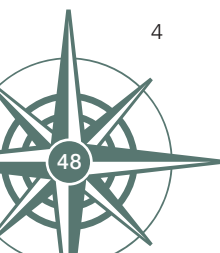
The Group believes in shouldering the responsibility of contributing to society. As a responsible corporation, the Group paid tax in accordance with applicable laws and regulations and spares no effort in easing local employment pressure. The Group helps employees to prepare and plan for their retirement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

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	Notes	2021	2020
Greenhouse Gas Emissions:				
Scope 1:				
Total	Tonnes	1	23.66	26.19
Intensity	Tonnes	4	1.13	1.18
Scope 2:				
Total	Tonnes	2	1.92	2.37
Intensity	Tonnes	4	0.09	0.11
Air Emissions:				
Nitrogen Oxides	Kilograms	1	10.22	9.40
Sulfur Oxides	Kilograms		0.13	0.14
Particulate Matters	Kilograms		0.75	0.69
Energy Consumption:				
Electricity:				
Total	Kilowatt Hours	3	2,699.00	2,928.00
Intensity	Kilowatt Hours	4	128.52	132.09
Petrol:				
Total	Tonnes		6.44	7.13
Intensity	Tonnes	4	0.31	0.32

Notes:

- Scope 1 refers to the direct greenhouse gas and air emissions from the Group's business, including combustion of petrol. As the Group expects the COVID-19 epidemic eases in 2021 and business activities resume to normal, it targets the petrol consumption and the respective scope 1 greenhouse gas and air emissions to increase by 5% when compared to 2020. Due to various conservation measures (please refer to the section headed "Petrol Conservation" above for details), the petrol consumption dropped by approximately 9.67% when compared to the previous year.
- Scope 2 refers to the indirect greenhouse gas emissions from the Group's business, including the consumption of purchased electricity. The Group targets to keep the electricity consumption and the respective scope 2 greenhouse gas emission constant when compared to the previous year.
- Electricity consumption data exclude the office of the Company located in Shenzhen (the "Shenzhen Office") as the Shenzhen Office shares an office with CPM Group Limited. The related electricity consumption is not material, and hence the Shenzhen Office does not keep data for it.
- The intensity of greenhouse gas and air emissions and energy consumption is calculated in terms of the average number of employees of the companies located in Hong Kong during the Reporting Period. The calculation has excluded the employees of the Shenzhen Office as the greenhouse gas and air emissions and energy consumption data relates to the Hong Kong office.



Environmental, Social and Governance Report

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

GENERAL DISCLOSURE/KPI	REPORTING GUIDE	PAGE
A. ENVIRONMENTAL		
ASPECT A1	EMISSIONS	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	39
KPI A1.1	The types of emissions and respective emissions data.	48
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	48
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A ¹
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A ¹
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	39,48
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	39
ASPECT A2	USE OF RESOURCES	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	40
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	48
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A ²
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	40,48
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	40
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A ¹



Environmental, Social and Governance Report

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

GENERAL DISCLOSURE/KPI	REPORTING GUIDE	PAGE
A. ENVIRONMENTAL (continued)		
ASPECT A3	THE ENVIRONMENT AND NATURAL RESOURCES	
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	41
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	41
ASPECT A4	CLIMATE CHANGE	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	41
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	41
B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
ASPECT B1	EMPLOYMENT	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	41-43
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	42
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	43
ASPECT B2	HEALTH AND SAFETY	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	44
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	44
KPI B2.2	Lost days due to work injury.	44
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	44



Environmental, Social and Governance Report

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

GENERAL DISCLOSURE/KPI	REPORTING GUIDE	PAGE
B. SOCIAL (continued)		
EMPLOYMENT AND LABOUR PRACTICES (continued)		
ASPECT B3	DEVELOPMENT AND TRAINING	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	44
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	45
KPI B3.2	The average training hours completed per employee by gender and employee category.	45
ASPECT B4	LABOUR STANDARDS	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	46
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	46
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	46
OPERATING PRACTICES		
ASPECT B5	SUPPLY CHAIN MANAGEMENT	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	46
KPI B5.1	Number of suppliers by geographical region.	46
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	46
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	46
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	46



Environmental, Social and Governance Report

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

GENERAL DISCLOSURE/KPI	REPORTING GUIDE	PAGE
B. SOCIAL (continued)		
OPERATING PRACTICES (continued)		
ASPECT B6	PRODUCT RESPONSIBILITY	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	46-47
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	47
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	47
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	47
KPI B6.4	Description of quality assurance process and recall procedures.	46-47
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	47
ASPECT B7	ANTI-CORRUPTION	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	47
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	47
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	47
KPI B7.3	Description of anti-corruption training provided to directors and staff.	47



Environmental, Social and Governance Report

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

GENERAL DISCLOSURE/KPI	REPORTING GUIDE	PAGE
B. SOCIAL (continued)		
COMMUNITY		
ASPECT B8	COMMUNITY INVESTMENT	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	48
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	48
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	48

Notes:

- ¹ The ESG Report mainly covers the Group’s businesses in the trading of iron and steel products and related investment and property investment which do not involve any production process. Goods are delivered directly from suppliers to customers. No packaging material is used, and hence no solid waste or hazardous waste is generated from handling damaged goods. The businesses mainly operate in offices, therefore the non-hazardous wastes are mainly domestic garbage and waste paper. Currently, the Group does not conduct statistics on this area but the Group will continue to optimise its waste management.
- ² The Group’s water consumption mainly comes from its leased office, and no record of water consumption by the Group’s leased unit is available from the property management company.



Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint and coating products, property investment (including the investment properties for rental income potential or for sale, and the proposed elderly caring centre development in Hong Kong), iron and steel trading, hotel business and investment holding activities. Details of the activities of the principal subsidiaries and associates are set out in notes 1 and 17 to the financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 21 of this annual report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the financial statements on pages 71 to 184.

The Directors have resolved to recommend the payment of a final dividend of HK2.0 cents per Share to the Shareholders by way of distribution out of the contributed surplus. The final dividend, if approved by the Shareholders at the forthcoming AGM, will be paid on Friday, 24 June 2022 to the Shareholders whose names appear on the Company's register of members on Friday, 10 June 2022.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 30% of the total purchases for the year and purchases from the largest supplier included therein amounted to 9%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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



Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

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

	2021 HK\$'000	Year ended 31 December			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
RESULTS					
Revenue	881,020	781,508	807,923	831,939	1,228,065
Operating profit/(loss)	(36,271)	(94,923)	230,650	(75,564)	55,039
Share of profits and losses of associates, net	1,745	1,275	(1,931)	(4,365)	3,214
Profit/(loss) before tax	(34,526)	(93,648)	228,719	(79,929)	58,253
Income tax credit/(expenses)	(902)	(3,228)	(816)	19,641	(11,335)
Profit/(loss) for the year	(35,428)	(96,876)	227,903	(60,288)	46,918
ATTRIBUTABLE TO:					
Owners of the parent	(20,633)	(94,242)	234,793	(25,091)	37,516
Non-controlling interests	(14,795)	(2,634)	(6,890)	(35,197)	9,402
	(35,428)	(96,876)	227,903	(60,288)	46,918
		At 31 December			
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	2,441,214	2,396,207	2,298,363	2,297,187	2,390,271
Total liabilities	(759,282)	(663,078)	(511,563)	(661,102)	(629,168)
Non-controlling interests	(135,934)	(148,457)	(135,732)	(145,370)	(191,618)
	1,545,998	1,584,672	1,651,068	1,490,715	1,569,485



Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on page 185 to 187.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 187.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefore are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2021, calculated under The Companies Act, amount to HK\$558,120,000. In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$193,000.



Report of the Directors

DIRECTORS

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

Executive Directors

Lam Ting Ball, Paul
Chong Chi Kwan

Non-executive Directors

Tsui Ho Chuen, Philip
Chan Wa Shek
Zhang Yulin
Wu Hong Cho (*as from 1 December 2021*)

Independent Non-executive Directors

Wu Hong Cho (*up to 30 November 2021*)
Ko Kwok Fai, Dennis
Huang De Rui
Zhang Xiaojing
Lin Yingru
Cheng Wai Po, Samuel

In accordance with the Bye-laws, Mr. Chong Chi Kwan, Mr. Tsui Ho Chuen, Philip, Mr. Zhang Yulin and Mr. Wu Hong Cho will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Lam Ting Ball, Paul	80	Chairman	49	More than 49 years' experience in management and the paint and coating industry
Chong Chi Kwan	54	Managing Director	16	More than 30 years' experience in auditing, finance, accounting and management



Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Tsui Ho Chuen, Philip	58	Non-executive Director	37	Qualified solicitor and more than 37 years' experience in the paint and coating industry
Chan Wa Shek CBE, ISO	91	Non-executive Director	15	Former Commissioner of Correctional Services of Hong Kong
Zhang Yulin	58	Non-executive Director	15	More than 25 years' experience in finance and management
Wu Hong Cho	76	Non-executive Director	5	Practicing solicitor in Hong Kong with more than 14 years' experience in private practice
Independent Non-executive Directors				
Ko Kwok Fai, Dennis	56	Independent Non-executive Director	2	More than 30 years' experience in management and accounting
Huang De Rui	76	Independent Non-executive Director	18	More than 47 years' experience in finance, accounting and management
Zhang Xiaojing	67	Independent Non-executive Director	9	More than 39 years' experience in engineering and management
Lin Yingru	63	Independent Non-executive Director	3	More than 30 years' experience in aviation and business management
Cheng Wai Po, Samuel	62	Independent Non-executive Director	2	More than 27 years' experience in the public transport industry



Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management

The businesses of the Group are under the direct responsibility of two executive Directors, namely, Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan, who are regarded as the senior management of the Company.

Notes:

- (1) Mr. Lam Ting Ball, Paul is the chairman and a non-executive director of CPM Group Limited, a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange.
- (2) Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited, a substantial shareholder of the Company. He is also the managing director and an executive director of CPM Group Limited.
- (3) Mr. Chong Chi Kwan is a non-executive director of CPM Group Limited.
- (4) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited, which is interested in 5.15% of the total number of Shares in issue of the Company.
- (5) Mr. Wu Hong Cho was an executive Director from July 1992 to January 2000. He was appointed as an independent non-executive Director on 19 July 2017 and has been re-designated as a non-executive Director since 1 December 2021.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors are as follows:

- (1) Mr. Wu Hong Cho has been re-designated from an independent non-executive Director to a non-executive Director with effect from 1 December 2021.
- (2) Details of changes in the Directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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



Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

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

EQUITY-LINKED AGREEMENTS

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



Report of the Directors

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

As at 31 December 2021, the interests of the Directors in the Shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Name	Capacity	Number of Shares				Total	Percentage of the total number of Shares in issue
		Personal interests	Family interests	Corporate interests	Other interests		
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	520,327,620 (Note)	–	520,327,620	27.33%
Ko Kwok Fai, Dennis	Beneficial owner	503,374	–	–	–	503,374	0.02%

Note: The 520,327,620 Shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTIONS

The Company's existing Share Option Scheme was adopted on 28 June 2012. Its key terms are summarised below:

- (i) The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means to recognise and acknowledge the contributions which the participants of the Share Option Scheme have made or will make to the Group and to provide the participants with an opportunity to have a personal stake in the Company and a direct economic interest with a view to providing rewards, motivations or incentives to the participants for recognition of their contributions to the Group and to utilise their performance and efficiency and to make contributions for the benefit of the Group, retaining the existing employees and recruiting additional human resources that are valuable to the Group for attaining the long-term development and growth of the Group, and building of common objectives of the Group and the participants for the betterment of business and profitability of the Group.



Report of the Directors

SHARE OPTIONS (continued)

- (ii) The participants of the Share Option Scheme include any employee, proposed employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest; any person or entity that provides research, development or other technological support to such companies; any adviser or consultant to any area of business or business development of such companies; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.
- (iii) The total number of Shares available for issue under the Share Option Scheme is 188,840,569 which represents 9.92% of the total number of Shares in issue as at the date of this report.
- (iv) The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of the Company (including the exercised, cancelled and outstanding options) to each participant in any 12-month period must not exceed 1% of the total number of Shares in issue for the time being unless it is separately approved by the Shareholders in general meeting.
- (v) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period for the exercise of an option to be notified by the Board to the grantee and such period shall be determined by the Board in its discretion, but in any event such period shall not be more than 10 years from the date of grant.
- (vi) The subscription price of a Share in respect of any option granted shall be determined by the Board at its absolute discretion provided that it shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of the Shares.
- (vii) The Share Option Scheme remains in force until 27 June 2022.

No share option has so far been granted under the Share Option Scheme since its adoption.

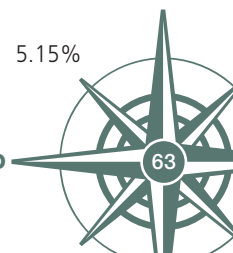


Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the Directors) had interests in the Shares and underlying shares of the Company:

Name	Notes	Capacity	Number of Shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of the total number of Shares in issue
10% or more of the total Shares in issue					
Prime Surplus Limited	1	Beneficial owner	520,327,620	–	27.33%
Ho Mei Po, Mabel	2	Interest of spouse	520,327,620	–	27.33%
Chinaculture.com Limited	3	Beneficial owner	370,266,867	–	19.45%
Chuang's China Investments Limited	3	Interest of controlled corporation	370,266,867	–	19.45%
Profit Stability Investments Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Chuang's Consortium International Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Evergain Holdings Limited	3	Interest of controlled corporations	370,266,867	–	19.45%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	370,266,867	–	19.45%
Chong Ho Pik Yu	3	Interest of spouse	370,266,867	–	19.45%
Below 10% of the total Shares in issue					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%



Report of the Directors

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

Notes:

- (1) The 520,327,620 Shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 520,327,620 Shares in which her spouse was interested under the SFO.
- (3) The shareholding of 19.45% was based on the disclosure in the interim report of Chuang's Consortium International Limited for the six months ended 30 September 2021. The number of Shares is based on the shareholding percentage and the total number of Shares in issue of the Company as of 31 December 2021. The Company has not been informed on any change in the number of Shares held by Chuang's Consortium International Limited.

The references to the 370,266,867 Shares relate to the same block of 370,266,867 Shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 61.09% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 54.10% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 60% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 370,266,867 Shares which were owned by Chinaculture.com Limited.

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

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

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

Save as disclosed above, the Company has not been notified by any person (other than the Directors) who had interests or short positions in the Shares or underlying shares of the Company as at 31 December 2021 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

CNT Group Limited

Lam Ting Ball, Paul

Chairman

Hong Kong, 30 March 2022



Independent Auditor's Report



To the shareholders of CNT Group Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 184, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

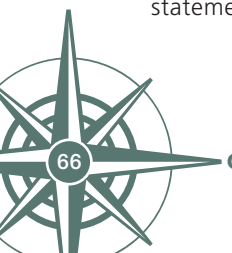
BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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



Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses ("ECLs") for trade receivables</i>	
<p>As at 31 December 2021, the Group recorded gross trade receivables of HK\$499.2 million which included the trade receivables from the paint business and the iron and steel business of HK\$489.3 million and the loss allowance amounted to HK\$64.1 million.</p> <p>Significant management judgement and estimation were required in assessing the ECLs for the trade receivables from the paint business and the iron and steel business, with reference to the grouping of various customer segments, ageing profile of the trade receivable balances, and past repayment history of customers and forecast economic conditions.</p> <p>Disclosures in relation to trade receivables are included in notes 3 and 22 to the consolidated financial statements.</p>	<p>Our audit procedures included understanding and assessing the Group's policy on determining the loss allowance in accordance with the requirements of HKFRS 9, including an evaluation of management judgements on (i) the level of disaggregation of customer groups for collective assessment; and (ii) the use of available credit risk information, including historical and forward-looking information.</p> <p>We reviewed management's assumptions used to determine the ECLs through testing of the underlying information on the ageing reports generated by the Group's financial reporting system and assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information. We also assessed the related disclosures in the consolidated financial statements.</p>
<i>Fair value of investment properties</i>	
<p>As at 31 December 2021, investment properties measured at fair values amounted to approximately HK\$601.4 million, with a corresponding net fair value gain of HK\$15.4 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties.</p> <p>Disclosures in relation to investment properties are included in notes 3 and 14 to the consolidated financial statements.</p>	<p>As part of our audit procedures, we have considered the objectivity, independence and competence of the valuers. We have assessed the valuation methodologies adopted and the assumptions used by the valuers, and performed market value benchmarking against comparable properties. Our internal valuation experts were also involved to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group. We also assessed the related disclosures in the consolidated financial statements.</p>



Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

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

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

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

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

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

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place,

979 King's Road,

Quarry Bay,

Hong Kong

30 March 2022



Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	881,020	781,508
Cost of sales		(684,888)	(533,821)
Gross profit		196,132	247,687
Other income and gains, net	5	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	14	15,378	(93,876)
Finance costs	7	(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	10	(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	12		
Basic and diluted		HK(1.08) cents	HK(4.95) cents



Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	Notes	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:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		11	(1,355)
Gain on property revaluation	13, 16	–	28,624
Income tax effect	30	–	(7,156)
		–	21,468
Remeasurement of net pension scheme assets	20	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

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	514,808	261,071
Investment properties	14	601,378	840,182
Properties under development	15	28,000	28,000
Right-of-use assets	16(a)	97,770	100,506
Interest in an associate	17	2,722	2,666
Equity investments designated at fair value through other comprehensive income	18	47,987	47,976
Deposits for purchases of property, plant and equipment	19	4,850	815
Deposits	23	282	–
Net pension scheme assets	20	5,548	5,464
Deferred tax assets	30	18,503	18,737
Total non-current assets		1,321,848	1,305,417
CURRENT ASSETS			
Inventories	21	82,082	78,749
Trade and bills receivables	22	452,113	392,550
Prepayments, deposits and other receivables	23	81,280	108,829
Financial assets at fair value through profit or loss	24	6,418	–
Structured deposits	25	–	5,958
Pledged deposits	26	42,308	2,580
Cash and cash equivalents	26	455,165	502,124
Total current assets		1,119,366	1,090,790
CURRENT LIABILITIES			
Trade and bills payables	27	352,404	234,067
Other payables and accruals	28	85,232	100,944
Due to an associate	17	2,800	2,800
Interest-bearing bank borrowings	29	269,207	269,689
Lease liabilities	16(b)	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



Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	746	1,835
Deferred tax liabilities	30	33,369	33,332
Deferred income	31	1,002	1,281
Deposits received	28	–	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	32	190,369	190,369
Reserves	34	1,355,629	1,394,303
Non-controlling interests		1,545,998	1,584,672
		135,934	148,457
Total equity		1,681,932	1,733,129

Lam Ting Ball, Paul
Director

Chong Chi Kwan
Director



Consolidated Statement of Changes in Equity

Year ended 31 December 2021

		Attributable to owners of the parent											
		Issued share capital HK\$'000 (note 32)	Share premium account HK\$'000	Contributed surplus HK\$'000	Leasehold land and building revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve (non- recycling) HK\$'000	Reserve funds* HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Notes	190,369	88,970	220,241	44,948	7,523	(45,858)	(182,048)	21,709	1,305,214	1,651,068	135,732	1,786,800
		-	-	-	-	-	-	-	-	(94,242)	(94,242)	(2,634)	(96,876)
		-	-	-	-	-	-	(1,355)	-	-	(1,355)	-	(1,355)
	20	-	-	-	-	-	-	-	-	580	580	193	773
		-	-	-	-	-	434	-	-	-	434	-	434
		-	-	-	16,101	-	-	-	-	-	16,101	5,367	21,468
		-	-	-	-	-	(219)	-	267	-	48	-	48
		-	-	-	-	-	50,112	-	-	-	50,112	12,299	62,411
		-	-	-	16,101	-	50,327	(1,355)	267	(93,662)	(28,322)	15,225	(13,097)
		-	-	-	-	-	-	-	(326)	326	-	-	-
		-	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
	11	-	-	-	-	-	-	-	-	(38,074)	(38,074)	-	(38,074)
		<u>190,369</u>	<u>88,970[#]</u>	<u>220,241[#]</u>	<u>61,049[#]</u>	<u>7,523[#]</u>	<u>4,469[#]</u>	<u>(183,403)[#]</u>	<u>21,650[#]</u>	<u>1,173,804[#]</u>	<u>1,584,672</u>	<u>148,457</u>	<u>1,733,129</u>



Consolidated Statement of Changes in Equity

Year ended 31 December 2021

Notes	Attributable to owners of the parent											
	Issued share capital HK\$'000 (note 32)	Share premium account HK\$'000	Contributed surplus HK\$'000	Leasehold land and building	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve	Reserve funds* HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				revaluation reserve HK\$'000			(non-recycling) HK\$'000					
At 1 January 2021	190,369	88,970	220,241	61,049	7,523	4,469	(183,403)	21,650	1,173,804	1,584,672	148,457	1,733,129
Loss for the year	-	-	-	-	-	-	-	-	(20,633)	(20,633)	(14,795)	(35,428)
Other comprehensive income/(loss) for the year:												
Change in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	11	-	-	11	-	11
Remeasurement of net pension scheme assets	-	-	-	-	-	-	-	-	99	99	33	132
Transferred from retained profits to reserve fund	-	-	-	-	-	-	-	953	(953)	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	19,922	-	-	-	19,922	4,739	24,661
Total comprehensive income/(loss) for the year	-	-	-	-	-	19,922	11	953	(21,487)	(601)	(10,023)	(10,624)
Transferred from fair value reserve to retained profits**	-	-	-	-	-	-	5,000	-	(4,999)	-	-	1
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Final 2020 dividend declared and paid	-	-	(38,074)	-	-	-	-	-	-	(38,074)	-	(38,074)
At 31 December 2021	190,369	88,970 [#]	182,167 [#]	61,049 [#]	7,523 [#]	24,391 [#]	(178,392) [#]	22,603 [#]	1,147,318 [#]	1,545,998	135,934	1,681,932

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

** During the year ended 31 December 2021, the Group has transferred the fair value loss of an equity investment designated at fair value through other comprehensive income upon deregistration of a subsidiary.

These reserve accounts comprise the consolidated reserves of HK\$1,355,629,000 (2020: HK\$1,394,303,000) in the consolidated statement of financial position.



Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(34,526)	(93,648)
Adjustments for:			
Finance costs	7	5,692	6,719
Share of profits and losses of associates, net		(1,745)	(1,275)
Bank interest income	5	(3,029)	(3,918)
Depreciation of property, plant and equipment	6	27,251	24,626
Depreciation of right-of-use assets	6	7,369	6,897
Recognition of deferred income	5	(308)	(287)
Gain on deposits paid for purchases of property, plant and equipment	5	–	(9,350)
Gain on disposal of items of property, plant and equipment, net	6	(118)	(474)
Write-off of items of property, plant and equipment	6	295	274
Fair value (gains)/losses on investment properties, net	14	(15,378)	93,876
Gain on disposal of an associate	5	–	(2,148)
Gain on termination of leases		–	(23)
Dividend income from equity investments designated at fair value through other comprehensive income	5	(120)	(134)
Dividend income from equity investments designated at fair value through profit or loss	5	(83)	–
Fair value gains on financial assets at fair value through profit or loss held for trading, net	5	(341)	–
Provision/(reversal of provision) for impairment of trade and bills receivables	6	4,563	(1,364)
Provision for impairment of property, plant and equipment	6	–	5,011
Write-down/(write back) of inventories to net realisable value, net	6	(189)	1,417
Net pension benefit expenses	20	48	3
		(10,619)	26,202
Increase in inventories		(1,078)	(4,924)
Increase in trade and bills receivables		(54,890)	(45,047)
Decrease/(increase) in prepayments, deposits and other receivables		29,110	(5,123)
Increase in financial assets at fair value through profit or loss	24	(6,077)	–
Increase in trade and bills payables		110,243	52,992
Increase/(decrease) in other payables and accruals and deposits received		(21,368)	9,088
Exchange realignment		582	(408)
Cash generated from operations		45,903	32,780



Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Cash generated from operations		45,903	32,780
Interest paid		(5,491)	(6,433)
Interest element of lease payment		(103)	(109)
Overseas taxes paid		(1,418)	(627)
Hong Kong profits tax paid		(377)	(115)
		<hr/>	<hr/>
Net cash flows from operating activities		38,514	25,496
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(11,665)	(24,414)
Proceeds from disposal of items of property, plant and equipment		217	556
Proceeds from termination of an acquisition agreement		–	16,813
Additions to investment properties	14	–	(3,648)
Investments in structured deposits		–	(5,958)
Proceeds from redemption of structured deposits		6,023	–
Interest received		2,783	3,784
Dividend received from an associate		1,689	1,813
Dividend received from equity investments designated at fair value through other comprehensive income		120	134
Dividend received from equity investments designated at fair value through other profit or loss		83	–
Deposits paid for purchases of property, plant and equipment	19	(6,651)	(2,306)
Decrease in pledged time deposits with original maturity of more than three months when acquired		2,580	11
Increase in pledged time deposits with original maturity of more than three months when acquired		(41,536)	–
		<hr/>	<hr/>
Net cash flows used in investing activities		(46,357)	(13,215)
		<hr/>	<hr/>



Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		190,504	212,938
Repayment of bank loans		(191,133)	(159,462)
Dividend paid	11	(38,074)	(38,074)
Dividend paid to non-controlling interests		(2,500)	(2,500)
Principal portion of lease payments	16(b)	(3,878)	(3,531)
Net cash flows from/(used in) financing activities		(45,081)	9,371
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		502,124	465,374
Effect of foreign exchange rate changes, net		5,965	15,098
CASH AND CASH EQUIVALENTS AT END OF YEAR		455,165	502,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	218,257	274,370
Non-pledged time deposits with original maturity of less than three months when acquired	26	236,908	227,754
Cash and cash equivalents as stated in the consolidated statement of financial position		455,165	502,124



Notes to Financial Statements

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK\$200,000 Non-voting deferred HK\$1,761,300	–	75	Manufacture and sale of paint and coating products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. #	PRC/ Mainland China	HK\$70,000,000	–	75	Manufacture and sale of paint and coating products
The China Paint Mfg. Co., (Xinfeng) Ltd. #	PRC/ Mainland China	United States dollars (“US\$”) 25,000,000	–	75	Manufacture and sale of paint and coating products
AVANZAR Media Limited	Hong Kong	HK\$2	–	100	Investment holding
China Molybdenum & Vanadium Development Limited	Hong Kong	HK\$1,000	–	75	Investment holding
China Utilities Limited	British Virgin Islands (“BVI”)	US\$1	–	100	Investment holding
Cigma International Investment Limited	Hong Kong	HK\$75	–	100	Property investment



Notes to Financial Statements

31 December 2021

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

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



Notes to Financial Statements

31 December 2021

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fan Ball Development Limited	Hong Kong	HK\$10,000	–	100	Property investment and investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd.#	PRC/ Mainland China	US\$4,000,000	–	75	Sale of paint and coating products and property investment
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.#	PRC/ Mainland China	US\$2,000,000	–	75	Manufacture and sale of paint and coating products and property investment
Hubei Giraffe Paint Mfg. Co., Ltd.##	PRC/ Mainland China	Renminbi ("RMB") 40,000,000	–	67.9	Manufacture and sale of paint and coating products
Joyous Cheer Limited	Hong Kong	HK\$1	–	100	Property development
Majority Faith Corporation	BVI	US\$1	–	75	Investment holding
Nigon Hong Kong Limited	Hong Kong	HK\$100	–	100	Hotel business
Profit Source Limited	Hong Kong	HK\$2	–	100	Securities trading and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK\$1,000	–	100	Investment holding
Rich Union Properties Limited	Hong Kong	HK\$2	–	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK\$30,000	–	75	Investment holding
Tatpo Corporation Limited	Liberia	US\$20,872	100	–	Investment holding
Top Dreamer Limited	BVI	US\$1	–	75	Investment holding
廣州市維美雲石有限公司#	PRC/ Mainland China	HK\$50,975,000	–	100	Property investment



Notes to Financial Statements

31 December 2021

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
海諾威特種塗料（新豐）有限公司#	PRC/ Mainland China	RMB5,000,000	–	100	Property investment
北海鋼鐵（深圳）有限公司#	PRC/ Mainland China	RMB10,000,000	–	100	Trading of iron and steel products
深圳北海裕聯投資諮詢有限公司#	PRC/ Mainland China	RMB6,000,000	–	100	Investment holding
中山市永成化工有限公司#	PRC/ Mainland China	RMB90,000,000	–	75	Manufacture and sale of paint and coating products

Wholly-foreign-owned enterprises registered under PRC law.

Sino-foreign equity joint venture registered under PRC law.

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



Notes to Financial Statements

31 December 2021

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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, financial assets at fair value through profit or loss, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



Notes to Financial Statements

31 December 2021

2.2 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	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (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.



Notes to Financial Statements

31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (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 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information⁶</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
<i>Amendments to HKAS 16</i>	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
<i>Amendments to HKAS 37</i>	<i>Onerous Contracts - Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41¹</i>

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

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ The HKICPA amends HKFRS 17 in February 2022 to permit a classification overlay for financial assets presented in comparative periods on initial application of HKFRS 17



Notes to Financial Statements

31 December 2021

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



Notes to Financial Statements

31 December 2021

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



Notes to Financial Statements

31 December 2021

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.



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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

Fair value measurement

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

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

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



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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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



Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Properties under development

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

Leases

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

Group as a lessee

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

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

Group as a lessor

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

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

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

Derecognition of financial assets

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

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

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



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31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

Revenue from other sources

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

Other income

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

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

Share-based payments

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

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

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

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



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a funded final salary defined benefit pension scheme registered under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the scheme. The cost of providing benefits under the defined benefit pension scheme is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension schemes, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net pension scheme assets) and the return on scheme assets (excluding amounts included in net interest on the net pension scheme assets), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the scheme amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “administrative expenses” in the consolidated statement of profit or loss:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

The Group also operates defined contribution schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the employment prior to his/her interest in the Group’s employer contributions vesting fully, the relevant amount of forfeited benefits may be refunded to the Group or used to reduce the ongoing contributions payable by the Group. In respect of the Mandatory Provident Fund retirement benefit schemes, the Group’s employer contributions vest fully with the employees when contributed into the schemes.

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

Borrowing costs

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

Dividends

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

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



Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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



Notes to Financial Statements

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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



Notes to Financial Statements

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

Leases – Estimating the incremental borrowing rate

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



Notes to Financial Statements

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

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

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) the income capitalisation method based on the capitalisation of existing rental income and reversionary market rental income, supported by the market rentals expected by investors for similar properties in the neighbourhood and by the market yield derived from analysing the sales transactions of similar properties.

The carrying amount of investment properties at 31 December 2021 was HK\$601,378,000 (2020: HK\$840,182,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 18 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair values of these investments as Level 2 or Level 3, where appropriate. The aggregate fair value of the unlisted equity investments at 31 December 2021 was HK\$47,987,000 (2020: HK\$47,976,000). Further details are included in note 18 to the financial statements.



Notes to Financial Statements

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

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

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

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

Provision for income taxes

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



Notes to Financial Statements

31 December 2021

4. 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.



Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>						
Elimination of intersegment sales						(4,719)
Total						912,040
Segment results	(57,436)	45,387	748	(857)	(852)	(13,010)
<i>Reconciliation:</i>						
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)
Segment assets	1,203,480	642,928	17,495	287,037	57,566	2,208,506
<i>Reconciliation:</i>						
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
<i>Reconciliation:</i>						
Elimination of intersegment payables						(796)
Corporate and other unallocated liabilities						3,280
Total liabilities						759,282



Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

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
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/(reversal of provision) for impairment of trade and bills 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.



Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>						
Elimination of intersegment sales						(4,907)
Total						806,622
Segment results	(6,720)	(63,368)	340	–	1,195	(68,553)
<i>Reconciliation:</i>						
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
<i>Reconciliation:</i>						
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
<i>Reconciliation:</i>						
Elimination of intersegment payables						(898)
Corporate and other unallocated liabilities						3,404
Total liabilities						663,078



Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

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.



Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

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
	<u>881,020</u>	<u>781,508</u>

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
	<u>1,249,528</u>	<u>1,233,240</u>

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

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



Notes to Financial Statements

31 December 2021

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

<u>Segments</u>	Paint products HK\$'000	Iron and steel products HK\$'000	Total HK\$'000
Sale of industrial products	838,066	13,402	851,468
<u>Geographical markets</u>			
Hong Kong	67,075	–	67,075
Mainland China	770,991	13,402	784,393
Total revenue from contracts with customers	838,066	13,402	851,468
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	838,066	13,402	851,468



Notes to Financial Statements

31 December 2021

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

<u>Segments</u>	Paint products HK\$'000	Iron and steel products HK\$'000	Total HK\$'000
Sale of industrial products	<u>712,886</u>	<u>37,049</u>	<u>749,935</u>
<u>Geographical markets</u>			
Hong Kong	68,078	–	68,078
Mainland China	<u>644,808</u>	<u>37,049</u>	<u>681,857</u>
Total revenue from contracts with customers	<u>712,886</u>	<u>37,049</u>	<u>749,935</u>
<u>Timing of revenue recognition</u>			
Goods transferred at a point in time	<u>712,886</u>	<u>37,049</u>	<u>749,935</u>

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

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	<u>3,063</u>	<u>4,181</u>

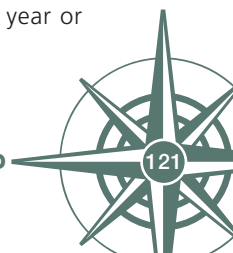
(ii) Performance obligations

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

Sale of industrial products

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

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



Notes to Financial Statements

31 December 2021

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

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

	Note	2021 HK\$'000	2020 HK\$'000
Other income			
Interest income from structured deposits		112	–
Bank interest income		2,917	3,918
Dividend income from equity investments 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	31	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 deposits paid for purchases of property, plant and equipment#		–	9,350
Gain on disposal of items of property, plant and equipment, net		118	474
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 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 RMB15,000,000 (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) (note 19).



Notes to Financial Statements

31 December 2021

6. LOSS BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold		684,888	533,821
Depreciation of property, plant and equipment	13	27,251	24,626
Depreciation of right-of-use assets	16(a)	7,369	6,897
Lease payments not included in the measurement of lease liabilities	16(c)	3,408	1,814
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		2,286	2,018
Auditor's remuneration:			
Audit related services		5,158	5,105
Other services		543	629
		5,701	5,734
Employee benefit expense (excluding Directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		126,827	137,274
Pension scheme contributions (defined contribution schemes)#		15,573	4,579
Net pension benefit expenses recognised (defined benefit schemes)	20	48	3
		142,448	141,856
Foreign exchange differences, net*		(246)	425
Staff termination cost*		2,702	18,926
Provision for impairment of property, plant and equipment*		–	5,011
Gain on deposits paid for purchases of property, plant and equipment*		–	(9,350)
Write-down/(write back) of inventories to net realisable value, net®		(189)	1,417



Notes to Financial Statements

31 December 2021

6. LOSS BEFORE TAX (continued)

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

	Notes	2021 HK\$'000	2020 HK\$'000
Impairment of financial assets, net:			
Provision/(reversal of provision) for impairment of trade and bills receivables*	22	4,563	(1,364)
Gain on disposal of items of property, plant and equipment, net*		(118)	(474)
Write-off of items of property, plant and equipment*	13	295	274
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)	–

* 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.

At 31 December 2021 and 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

During the year ended 31 December 2020, the Group's social insurance contributions in the PRC of HK\$6,414,000 have been temporarily reduced and exempted by the PRC government as a relief measure amid COVID-19 and such a temporary reduction and exemption is presented net of the respective cost category.



Notes to Financial Statements

31 December 2021

7. 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

8. DIRECTORS' REMUNERATION

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

	2021 HK\$'000	2020 HK\$'000
Fees:		
Executive Directors	1,700	1,700
Non-executive Directors	500	300
Independent non-executive Directors	600	800
	2,800	2,800
Other emoluments:		
Salaries, allowances and benefits in kind	9,039	9,103
Discretionary bonuses	1,030	1,030
Pension scheme contributions	386	386
Consultancy fee	20	–
Other fee	600	600
	11,075	11,119
	13,875	13,919



Notes to Financial Statements

31 December 2021

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive Directors

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

	2021	2020
	HK\$'000	HK\$'000
Wu Hong Cho	–	200
Huang De Rui	200	200
Zhang Xiaojing	100	100
Lin Yingru	100	100
Cheng Wai Po, Samuel	100	100
Ko Kwok Fai, Dennis	100	100
	<hr/> 600 <hr/>	<hr/> 800 <hr/>

There were no other emoluments payable to the independent non-executive Directors during the year (2020: Nil).



Notes to Financial Statements

31 December 2021

8. DIRECTORS' REMUNERATION (continued)

(b) Executive Directors and non-executive Directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Other emoluments HK\$'000	Total remuneration HK\$'000
2021						
Executive Directors:						
Lam Ting Ball, Paul	1,100	2,123	–	18	200*	3,441
Chong Chi Kwan	600	1,272	300	18	200*	2,390
	<u>1,700</u>	<u>3,395</u>	<u>300</u>	<u>36</u>	<u>400</u>	<u>5,831</u>
Non-executive Directors:						
Chan Wa Shek	100	–	–	–	–	100
Wu Hong Cho (re-designated as non-executive Director on 1 December 2021)	200	–	–	–	20 [#]	220
Zhang Yulin	100	–	–	–	–	100
Tsui Ho Chuen, Philip	100	5,644	730	350	200*	7,024
	<u>500</u>	<u>5,644</u>	<u>730</u>	<u>350</u>	<u>220</u>	<u>7,444</u>
	<u>2,200</u>	<u>9,039</u>	<u>1,030</u>	<u>386</u>	<u>620</u>	<u>13,275</u>



Notes to Financial Statements

31 December 2021

8. DIRECTORS' REMUNERATION (continued)

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Other emoluments HK\$'000	Total remuneration HK\$'000
2020						
Executive Directors:						
Lam Ting Ball, Paul	1,100	2,192	–	18	200*	3,510
Chong Chi Kwan	600	1,267	300	18	200*	2,385
	<u>1,700</u>	<u>3,459</u>	<u>300</u>	<u>36</u>	<u>400</u>	<u>5,895</u>
Non-executive Directors:						
Chan Wa Shek	100	–	–	–	–	100
Zhang Yulin	100	–	–	–	–	100
Tsui Ho Chuen, Philip	100	5,644	730	350	200*	7,024
	<u>300</u>	<u>5,644</u>	<u>730</u>	<u>350</u>	<u>200</u>	<u>7,224</u>
	<u>2,000</u>	<u>9,103</u>	<u>1,030</u>	<u>386</u>	<u>600</u>	<u>13,119</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

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

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



Notes to Financial Statements

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2020: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are non-Directors are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	8,845	8,424
Discretionary bonuses	1,269	1,267
Pension scheme contributions	144	87
	<u>10,258</u>	<u>9,778</u>

The remuneration of the non-Director highest paid employees by band is set out below:

	Number of employees	
	2021	2020
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	1
	<u>3</u>	<u>3</u>

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 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.



Notes to Financial Statements

31 December 2021

10. INCOME TAX (continued)

	2021 HK\$'000	2020 HK\$'000
Current - Hong Kong		
Overprovision in prior years	(33)	–
Current - Elsewhere		
Charge for the year	1,067	816
Under/(over) provision in prior years	37	(1,097)
Deferred (note 30)	(169)	3,509
	<u>902</u>	<u>3,228</u>
Total tax charge for the year	<u>902</u>	<u>3,228</u>

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

	2021 HK\$'000	2020 HK\$'000
Loss before tax	<u>(34,526)</u>	<u>(93,648)</u>
Tax at the statutory tax rate	(5,697)	(15,452)
Different tax rates for specific provinces in the PRC, net	(566)	(254)
Effect of withholding tax on the distributable profits of the Group's subsidiaries	–	319
Adjustments in respect of current tax of previous periods	4	(1,097)
Profits and losses attributable to associates	(288)	(210)
Income not subject to tax	(3,339)	(1,559)
Expenses not deductible for tax	5,232	21,869
Reversal of withholding taxes on the unremitted earnings	(1,623)	(3,100)
Tax losses utilised from previous periods	(3,724)	(3,460)
Tax losses brought forward from previous periods now recognised	(617)	(2,429)
Tax losses not recognised	13,517	7,211
Others	(1,997)	1,390
	<u>902</u>	<u>3,228</u>
Tax charge at the Group's effective rate	<u>902</u>	<u>3,228</u>

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.



Notes to Financial Statements

31 December 2021

11. DIVIDEND

	2021 HK\$'000	2020 HK\$'000
Proposed final – HK2.0 cents (2020: HK2.0 cents) per ordinary share	<u>38,074</u>	<u>38,074</u>

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 ended 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.

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

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$20,633,000 (2020: loss of 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.



Notes to Financial Statements

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and hotel property HK\$'000	Ownership interests in properties held for own use HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2021								
At 1 January 2021:								
Cost or valuation	-	373,867	10,577	48,227	147,446	38,097	16,374	634,588
Accumulated depreciation and impairment	-	(171,071)	-	(24,384)	(132,213)	(31,373)	(14,476)	(373,517)
Net carrying amount	-	202,796	10,577	23,843	15,233	6,724	1,898	261,071
At 1 January 2021, net of accumulated depreciation and impairment	-	202,796	10,577	23,843	15,233	6,724	1,898	261,071
Additions	-	-	1,720	3,463	2,624	2,150	1,708	11,665
Disposals	-	-	-	-	-	(2)	(97)	(99)
Write-off (note 6)	-	-	(12)	-	(238)	(45)	-	(295)
Transfer from deposits for purchases of property, plant and equipment (note 19)	-	-	-	-	1,793	897	-	2,690
Transfer	-	-	(11,248)	6,775	4,473	-	-	-
Transfer from investment properties (note 14)	261,500	-	-	-	-	-	-	261,500
Depreciation provided during the year (note 6)	(143)	(11,938)	-	(7,136)	(4,926)	(2,213)	(895)	(27,251)
Exchange realignment	-	3,917	74	776	504	193	63	5,527
At 31 December 2021, net of accumulated depreciation and impairment	261,357	194,775	1,111	27,721	19,463	7,704	2,677	514,808
At 31 December 2021:								
Cost or valuation	261,500	381,421	1,111	59,747	156,656	35,840	16,974	913,249
Accumulated depreciation and impairment	(143)	(186,646)	-	(32,026)	(137,193)	(28,136)	(14,297)	(398,441)
Net carrying amount	261,357	194,775	1,111	27,721	19,463	7,704	2,677	514,808



Notes to Financial Statements

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and hotel property HK\$'000	Ownership interests in properties held for own use HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2020								
At 1 January 2020:								
Cost or valuation	-	386,365	637	34,211	138,358	35,706	17,871	613,148
Accumulated depreciation and impairment	-	(156,890)	-	(19,348)	(116,840)	(29,731)	(16,133)	(338,942)
Net carrying amount	-	229,475	637	14,863	21,518	5,975	1,738	274,206
At 1 January 2020, net of accumulated depreciation and impairment								
	-	229,475	637	14,863	21,518	5,975	1,738	274,206
Additions	-	-	13,887	4,963	2,369	2,273	922	24,414
Disposals	-	-	-	-	(63)	(3)	(16)	(82)
Write-off (note 6)	-	-	(42)	(147)	(56)	(29)	-	(274)
Transfer from deposits for purchases of property, plant and equipment (note 19)	-	-	2,777	-	67	164	67	3,075
Surplus on revaluation	-	9,372	-	-	-	-	-	9,372
Transfer	-	-	(7,930)	7,504	181	245	-	-
Transfer to investment properties (note 14)	-	(33,752)	-	(13)	-	-	-	(33,765)
Depreciation provided during the year (note 6)	-	(12,369)	-	(4,414)	(4,759)	(2,207)	(877)	(24,626)
Impairment	-	-	-	-	(5,011)	-	-	(5,011)
Exchange realignment	-	10,070	1,248	1,087	987	306	64	13,762
At 31 December 2020, net of accumulated depreciation and impairment	-	202,796	10,577	23,843	15,233	6,724	1,898	261,071
At 31 December 2020:								
Cost or valuation	-	373,867	10,577	48,227	147,446	38,097	16,374	634,588
Accumulated depreciation and impairment	-	(171,071)	-	(24,384)	(132,213)	(31,373)	(14,476)	(373,517)
Net carrying amount	-	202,796	10,577	23,843	15,233	6,724	1,898	261,071



Notes to Financial Statements

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2020, an impairment loss of HK\$5,011,000 was made for certain property, plant and equipment (note 6) by management based on their recoverable amounts which were determined by value-in-use calculations.

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

Had the Group's ownership interests in properties held for own use been carried at historical cost less accumulated depreciation and impairment, their total carrying amount at 31 December 2021 would have been HK\$21,942,000 (2020: HK\$22,939,000).

At 31 December 2021, certain of the above ownership interests in properties held for own use freehold land and hotel property with an aggregate net carrying amount of HK\$302,258,000 (2020: HK\$42,577,000) were pledged to secure general banking facilities granted to the Group (note 29).



Notes to Financial Statements

31 December 2021

14. INVESTMENT PROPERTIES

	Notes	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January		840,182	851,339
Additions		–	3,648
Fair value gains/(loss), net		15,378	(93,876)
Transfer from deposits for purchases of property, plant and equipment, and investment properties	19	–	937
Transfer from/(to) owner-occupied properties	13	(261,500)	33,765
Transfer from leasehold land	16(a)	–	27,575
Exchange realignment		7,318	16,794
		<hr/> 601,378 <hr/>	<hr/> 840,182 <hr/>
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 which 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.

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

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



Notes to Financial Statements

31 December 2021

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average	
				2021	2020
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$23 to HK\$80	HK\$26 to HK\$90
			Capitalisation rates	2.2% to 2.7%	2.2% to 2.7%
		Market comparison approach	HK\$31,300 to HK\$39,800	N/A	
Hotel in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	N/A	HK\$58 to HK\$66
			Capitalisation rates	N/A	5.0% to 8.0%
		Market comparison approach	HK\$2,940,000 to HK\$3,970,000	HK\$2,940,000 to HK\$3,530,000	
Serviced apartment in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. per month)	HK\$36 to HK\$94	HK\$35 to HK\$77
			Capitalisation rates	2.4%	2.4%
		Market comparison approach	HK\$17,900 to HK\$47,200	HK\$17,465 to HK\$38,606	
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB194 to RMB240	RMB210 to RMB270
			Capitalisation rates	3.5% to 5.3%	3.5% to 5.3%
		Market comparison approach	RMB6,700 to RMB50,600	RMB8,690 to RMB72,000	



Notes to Financial Statements

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14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average	
				2021	2020
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. per month)	RMB15 to RMB46	RMB15 to RMB46
			Capitalisation rates	5.5% to 9.0%	5.5% to 9.0%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rates (per sq.m.)	RMB9,200 to RMB62,600	RMB8,000 to RMB68,000
			Capitalisation rates	2.5% to 3.5%	3.0% to 4.0%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB9,200 to RMB62,600	RMB8,000 to RMB68,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

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

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



Notes to Financial Statements

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14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Commercial properties in Hong Kong HK\$'000	Hotel in Hong Kong HK\$'000	Serviced apartment in Hong Kong HK\$'000	Commercial properties in Mainland China HK\$'000	Industrial properties in Mainland China HK\$'000	Residential properties in Mainland China HK\$'000	Total HK\$'000
Carrying amount at 1 January 2020	174,600	313,000	183,000	88,907	42,163	49,669	851,339
Additions	-	-	-	3,642	-	6	3,648
Fair value gains/(losses), net	(20,400)	(37,800)	(47,800)	(1,428)	(2,717)	16,269	(93,876)
Transfer from deposits for purchases of property, plant and equipment, and investment properties	-	-	-	390	-	547	937
Transfer from owner-occupied properties	-	-	-	-	33,765	-	33,765
Transfer from leasehold land	-	-	-	-	27,575	-	27,575
Exchange realignment	-	-	-	6,107	6,331	4,356	16,794
Carrying amount at 31 December 2020 and 1 January 2021	154,200	275,200	135,200	97,618	107,117	70,847	840,182
Fair value gains/(losses), net	7,100	6,500	3,500	(1,661)	2	(63)	15,378
Transfer to owner-occupied properties	-	(261,500)	-	-	-	-	(261,500)
Reclassification	20,200	(20,200)	-	-	-	-	-
Exchange realignment	-	-	-	2,588	2,838	1,892	7,318
Carrying amount at 31 December 2021	181,500	-	138,700	98,545	109,957	72,676	601,378

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

At 31 December 2021, certain of the Group's investment properties with an aggregate carrying value of HK\$158,900,000 (2020: HK\$410,400,000) were pledged to secure general banking facilities granted to the Group (note 29).

Further particulars of the Group's investment properties are included on pages 185 to 187.



Notes to Financial Statements

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15. PROPERTIES UNDER DEVELOPMENT

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January and at 31 December	<u>28,000</u>	<u>28,000</u>

The properties under development are situated in Hong Kong. As at 31 December 2020 and 2021, the properties under development are pending for development.

Further particulars of the Group's properties under development are included on page 187.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of lands, properties, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 3 years, while motor vehicles generally have lease terms of 5 years. Other equipment generally has lease terms ranged from 2 to 5 years and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.



Notes to Financial Statements

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16. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

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

	Properties HK\$'000	Leasehold land HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
As at 1 January 2020	2,586	102,315	700	113	105,714
Additions	5,637	-	-	-	5,637
Termination	(854)	-	-	-	(854)
Surplus on revaluation	-	19,252	-	-	19,252
Transfer to investment properties	-	(27,575)	-	-	(27,575)
Depreciation charge	(3,127)	(3,369)	(382)	(19)	(6,897)
Exchange realignment	182	5,047	-	-	5,229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2020 and 1 January 2021	4,424	95,670	318	94	100,506
Additions	2,577	-	-	-	2,577
Depreciation charge	(3,614)	(3,418)	(318)	(19)	(7,369)
Exchange realignment	41	2,015	-	-	2,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2021	<u>3,428</u>	<u>94,267</u>	<u>-</u>	<u>75</u>	<u>97,770</u>

At 31 December 2021, certain of the Group's right-of-use assets with an aggregate net carrying amount of HK\$17,269,000 (2020: HK\$17,878,000) were pledged to secure general banking facilities granted to the Group (note 29).



Notes to Financial Statements

31 December 2021

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2021	2020
	HK\$'000	HK\$'000
Carrying amount at 1 January	4,785	3,376
Termination	–	(877)
New leases	2,577	5,637
Accretion of interest recognised during the year	103	109
Payments	(3,981)	(3,640)
Exchange realignment	43	180
	<hr/>	<hr/>
Carrying amount at 31 December	3,527	4,785
	<hr/> <hr/>	<hr/> <hr/>
Analysed into:		
Current portion	2,781	2,950
Non-current portion	746	1,835
	<hr/> <hr/>	<hr/> <hr/>

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

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

	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	103	109
Depreciation charge of right-of-use assets	7,369	6,897
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	3,408	1,814
	<hr/>	<hr/>
Total amount recognised in profit or loss	10,880	8,820
	<hr/> <hr/>	<hr/> <hr/>

(d) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.



Notes to Financial Statements

31 December 2021

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of a hotel, a serviced apartment and certain commercial properties in Hong Kong, certain residential, commercial and industrial properties in Mainland China, and an insignificant portion of buildings in Mainland China (note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group during the year was HK\$34,511,000 (2020: HK\$35,556,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with third parties are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	17,088	32,356
After one year but within two years	5,247	19,754
After two years but within three years	610	4,367
After three years but within four years	–	973
After four years but within five years	–	730
	<u>22,945</u>	<u>58,180</u>



Notes to Financial Statements

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17. INTEREST IN AN ASSOCIATE

	2021 HK\$'000	2020 HK\$'000
Share of net assets	2,722	2,666

The amount due to an associate included in the Group's current liabilities as at 31 December 2021 of HK\$2,800,000 (2020: HK\$2,800,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group		Principal activities
			2021	2020	
Arran Investment Company Limited	Founder's shares and ordinary shares	Hong Kong	50	50	Property investment

Arran Investment Company Limited was a corporate associate indirectly held by the Company as at 31 December 2021. Arran Investment Company Limited uses a financial year end date of 31 October. The consolidated financial statements are adjusted for material transactions between this associate and the Group between the financial year end date of this associate and that of the Group.

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

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

	2021 HK\$'000	2020 HK\$'000
Share of the associate's profit for the year	1,745	1,694
Share of the associate's total comprehensive income	1,745	1,694
Dividend paid by the associate during the year	1,689	1,813
The carrying amount of the Group's investment in the associate	2,722	2,666



Notes to Financial Statements

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

	2021 HK\$'000	2020 HK\$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Profitable Industries Limited	41,761	40,016
Goodwill International (Holdings) Limited	5,926	7,660
Unlisted club membership debenture	300	300
	<u>47,987</u>	<u>47,976</u>

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

During the year ended 31 December 2021, the Group received dividend in the amount of HK\$120,000 from Goodwill International (Holdings) Limited (2020: HK\$120,000).

19. DEPOSITS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

	Notes	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January		815	9,962
Transfer to property, plant and equipment	13	(2,690)	(3,075)
Transfer to investment properties	14	–	(937)
Additions		6,651	2,306
Termination of an acquisition agreement		–	(7,463)
Exchange realignment		74	22
		<u>4,850</u>	<u>815</u>
Carrying amount at 31 December			



Notes to Financial Statements

31 December 2021

20. NET PENSION SCHEME ASSETS

The Group operates a funded defined benefit scheme for all its qualifying employees in Hong Kong. Under the scheme, the employees are entitled to retirement benefits at 70% of their final monthly salaries multiplied by their respective number of past service years plus 70% of their final monthly salaries multiplied by their respective number of past scheme service years on attainment of a retirement age of 65.

The Group's defined benefit scheme is a final salary plan, which requires contributions to be made to a separately administered fund. The scheme has the legal form of a foundation and it is administered by an independent trustee with the assets held separately from those of the Group. The trustee is responsible for the determination of the investment strategy of the scheme.

The trustee reviews the level of funding in the scheme by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustee decides the contribution based on the results of the annual review. The investment portfolio targets a mix of 55% to 85% in global equities and 15% to 45% in global bonds and deposits.

The scheme is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligations were carried out at 31 December 2021 by Grant Sherman Appraisal Limited, an independent professional actuarial advisor, using the projected unit credit actuarial valuation method.



Notes to Financial Statements

31 December 2021

20. NET PENSION SCHEME ASSETS (continued)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2021	2020
Discount rate	1.1%	0.4%
Expected rate of salary increases	2.5%	2.5%

The actuarial valuation showed that the market value of the scheme assets was HK\$8,012,000 (2020: HK\$7,974,000), and that the actuarial value of these assets represented 325% (2020: 318%) of the benefits that had accrued to qualifying employees.

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in net pension scheme assets HK\$'000	Decrease in rate %	Increase/ (decrease) in net pension scheme assets HK\$'000
2021				
Discount rate	5	6	5	(5)
Future salary increase	5	(12)	5	13
2020				
Discount rate	5	2	5	(2)
Future salary increase	5	(16)	5	15

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net pension scheme assets as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actual assumptions.



Notes to Financial Statements

31 December 2021

20. NET PENSION SCHEME ASSETS (continued)

The total expenses recognised in the consolidated statement of profit or loss in respect of the scheme are as follows:

	2021 HK\$'000	2020 HK\$'000
Current service cost	68	85
Interest income	(20)	(82)
	<hr/>	<hr/>
Net pension benefit expenses recognised in administrative expenses	48	3
	<hr/> <hr/>	<hr/> <hr/>

The movements in the present value of the defined benefit obligations are as follows:

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January	2,510	2,899
Current service cost	68	85
Interest cost	9	51
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(2)	(6)
– Actuarial losses arising from changes in financial assumptions	157	157
– Experience adjustments	(278)	(62)
Benefit paid	–	(614)
	<hr/>	<hr/>
Carrying amount at 31 December	2,464	2,510
	<hr/> <hr/>	<hr/> <hr/>



Notes to Financial Statements

31 December 2021

20. NET PENSION SCHEME ASSETS (continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2021

	Pension cost credited/(charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income						31 December 2021 HK\$'000
	1 January 2021 HK\$'000	Service cost HK\$'000	Net interest income/(expense) HK\$'000	Sub-total included in profit or loss HK\$'000	Benefit paid HK\$'000	Return on scheme assets (excluding amounts included in net interest expense) HK\$'000	Actuarial changes arising from changes in demographic assumptions HK\$'000	Actuarial changes arising from changes in financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income HK\$'000	
Fair value of scheme assets	7,974	-	29	29	-	9	-	-	-	9	8,012
Defined benefit obligations	(2,510)	(68)	(9)	(77)	-	-	2	(157)	278	123	(2,464)
Net pension scheme assets	5,464	(68)	20	(48)	-	9	2	(157)	278	132	5,548



Notes to Financial Statements

31 December 2021

20. NET PENSION SCHEME ASSETS (continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:
(continued)

2020

	Pension cost credited/(charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income							31 December 2020 HK\$'000
	1 January 2020 HK\$'000	Service cost HK\$'000	Net interest income/ (expense) HK\$'000	Sub-total included in profit or loss HK\$'000	Benefit paid HK\$'000	Return on scheme assets (excluding amounts included in net interest expense) HK\$'000	Actuarial changes arising from changes in demographic assumptions HK\$'000	Actuarial changes arising from changes in financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income HK\$'000		
Fair value of scheme assets	7,593	-	133	133	(614)	862	-	-	-	862	7,974	
Defined benefit obligations	(2,899)	(85)	(51)	(136)	614	-	6	(157)	62	(89)	(2,510)	
Net pension scheme assets	<u>4,694</u>	<u>(85)</u>	<u>82</u>	<u>(3)</u>	<u>-</u>	<u>862</u>	<u>6</u>	<u>(157)</u>	<u>62</u>	<u>773</u>	<u>5,464</u>	

The Group does not expect to pay any contribution in the future years.

The major categories of the fair value of the total scheme assets are as follows:

	2021 HK\$'000	2020 HK\$'000
Equities, quoted in active markets	5,392	5,191
Bonds	2,420	2,623
Money market instruments	200	160
	<u>8,012</u>	<u>7,974</u>

At 31 December 2021, the weighted average duration of the defined benefit obligations at the end of the reporting period was 6 years (2020: 6 years).



Notes to Financial Statements

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21. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials and spare parts	41,174	41,804
Work in progress	5,386	4,601
Finished goods	35,522	32,344
	<u>82,082</u>	<u>78,749</u>

22. TRADE AND BILLS RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	499,168	432,818
Bills receivable	21,626	23,656
	<u>520,794</u>	<u>456,474</u>
Impairment	(68,681)	(63,924)
	<u>452,113</u>	<u>392,550</u>

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

The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables 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.



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22. TRADE AND BILLS RECEIVABLES (continued)

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

	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

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

		2021		
	Note	Trade receivables	Bills receivable	Total
		HK\$'000	HK\$'000	HK\$'000
At beginning of year		63,924	–	63,924
Provision for impairment loss	6	1,263	3,300	4,563
Amount written off as uncollectible		(1,356)	–	(1,356)
Exchange realignment		1,495	55	1,550
At end of year		65,326	3,355	68,681



Notes to Financial Statements

31 December 2021

22. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows: (continued)

	Note	Trade receivables HK\$'000	2020 Bills receivable HK\$'000	Total HK\$'000
At beginning of year		61,182	–	61,182
Reversal of provision for impairment losses	6	(1,364)	–	(1,364)
Exchange realignment		4,106	–	4,106
At end of year		<u>63,924</u>	<u>–</u>	<u>63,924</u>

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

Set out below is the information about the credit risk exposure on the Group's trade receivables arising from the sale of paint and iron and steel products using a provision matrix:

As at 31 December 2021

	Credit-impaired	Current	Past due			Total
			Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	100%	4.0%	4.8%	6.2%	16.4%	13.1%
Gross carrying amount (HK\$'000)	37,435	220,470	109,383	71,425	50,548	489,261
Expected credit losses (HK\$'000)	37,435	8,777	5,240	4,395	8,282	64,129

As at 31 December 2020

	Credit-impaired	Current	Past due			Total
			Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	100%	4.7%	6.3%	13.7%	27.5%	14.9%
Gross carrying amount (HK\$'000)	30,652	224,660	91,498	40,833	41,127	428,770
Expected credit losses (HK\$'000)	30,652	10,580	5,762	5,612	11,318	63,924



Notes to Financial Statements

31 December 2021

22. TRADE AND BILLS RECEIVABLES (continued)

The Group's tenants normally settle their bills in a timely manner, except for one of the Group's tenants has an outstanding rental receivable of HK\$9,073,000 (2020: HK\$3,313,000) which was past due ranged from one to six months as at 31 December 2021 (2020: less than three months). The Group performed individual assessment on this tenant. As at 31 December 2021, a provision for impairment of HK\$1,197,000 was recognised based on the lifetime ECLs.

The Group's remaining receivables arising from leasing of investment properties of HK\$834,000 (2020: HK\$735,000) as at the end of the reporting period were past due less than three months. As such, the Group's exposure to credit risk is insignificant and the directors of the Company were of the opinion that the ECLs of these rental receivables is minimal.

Bills receivable

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2021, the probability of default applied ranged from 0.05% to 33.2% (2020: Nil) and the loss given default ranged from 57.7% to 64.9% (2020: Nil).



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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	3,176	2,695
Deposits and other receivables	81,186	108,934
	84,362	111,629
Impairment allowance	(2,800)	(2,800)
	81,562	108,829
Analysed into:		
Current portion	81,280	108,829
Non-current portion	282	–

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2021 and 2020, full impairment was provided on an other receivable of HK\$2,800,000. The impairment allowance for the remaining deposits and other receivables was assessed to be minimal.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Listed equity investments, at fair value	6,418	–

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

25. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several wealth management products issued by a bank. As at 31 December 2020, the aggregate principal of deposits was fully guaranteed by the bank while the rates of return were not guaranteed. These deposits were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest. The Group used the structured deposits primarily to enhance the return on investment.



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26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021	2020
	HK\$'000	HK\$'000
Cash and bank balances	218,257	274,370
Time deposits:		
– with original maturity of less than three months when acquired	236,908	227,754
– with original maturity of more than three months when acquired	42,308	2,580
	497,473	504,704
Less: Pledged time deposits for bills payable		
– with original maturity of more than three months when acquired	(42,308)	(2,580)
Cash and cash equivalents	455,165	502,124

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK\$259,226,000 (2020: HK\$239,630,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2021, time deposits amounted to HK\$40,963,000 (2020: HK\$2,580,000) were pledged for securing the Group's bills payable and HK\$1,345,000 (2020: Nil) were pledged for securing the performance bonds issued by the bank to customers on certain sales project on behalf of the Group as guarantees (note 37).



Notes to Financial Statements

31 December 2021

27. 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).

28. OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIVED

	Notes	2021	2020
		HK\$'000	HK\$'000
Deferred income		326	317
Other payables	(i)	46,042	42,860
Accruals		35,844	54,621
Contract liabilities	(ii)	3,020	3,146
Deposits received		–	4,000
		85,232	104,944
Portion classified as current liabilities		(85,232)	(100,944)
Non-current portion		–	4,000

Notes:

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



Notes to Financial Statements

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28. OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIVED

(continued)

Notes: (continued)

(ii) Details of contract liabilities are as follows:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$000
Advances received from customers			
Sales of industrial products	3,020	3,146	5,237

Contract liabilities include advances received to deliver industrial products. The decrease in contract liabilities in 2021 and 2020 were mainly due to the decrease in sales orders received from customers in relation to sales of industrial products near year end whereas the Group had not yet delivered the products to customers.

29. INTEREST-BEARING BANK BORROWINGS

	<u>2021</u>			<u>2020</u>		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Current						
Bank loans – secured	1.2 – 2.5	2022 to 2050	189,207	1.2 – 2.5	2021 to 2050	219,689
Bank loans – unsecured	1.6 – 3.0	2023 to 2026	80,000	3.0	2023	50,000
			269,207			269,689
				2021 HK\$'000		2020 HK\$'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand			269,207			269,689



Notes to Financial Statements

31 December 2021

29. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (a) The above bank loans of HK\$269,207,000 (2020: HK\$269,689,000) containing a repayment on demand clause were already included in total current liabilities as at 31 December 2021. Accordingly, for the purpose of the above analysis, the bank loans due for repayment after one year were analysed into bank loans repayable within one year or on demand as at the end of the reporting period.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable as at 31 December 2021 and 31 December 2020 as follows:

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	152,866	157,358
In the second year	41,822	22,990
In the third to fifth years, inclusive	28,167	41,564
Beyond five years	46,352	47,777
	<u>269,207</u>	<u>269,689</u>

- (b) The Group's bank loans are secured by:
- (i) the Group's ownership interests in properties held for own use and freehold land and hotel property and one of the Group's right-of-use assets with aggregate net book values at the end of the reporting period of HK\$302,258,000 (2020: HK\$42,577,000) (note 13) and HK\$17,269,000 (2020: HK\$17,878,000) (note 16), respectively;
 - (ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK\$158,900,000 (2020: HK\$410,400,000) (note 14); and
 - (iii) charges over shares of an indirect subsidiary of the Company as at 31 December 2021 and 2020.
- (c) As at 31 December 2021 and 2020, all interest-bearing bank borrowings are denominated in Hong Kong Dollars.



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30. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Withholding taxes		Right-of-use assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	3,581	806	23,651	12,147	6,476	8,667	402	285	34,110	21,905
Deferred tax charged/(credited) to the statement of profit or loss during the year*	2,932	2,756	(430)	3,031	(3,314)	(2,781)	(257)	89	(1,069)	3,095
Deferred tax charged to the statement of comprehensive income during the year	-	-	-	7,156	-	-	-	-	-	7,156
Exchange realignment	71	19	617	1,317	163	590	6	28	857	1,954
Gross deferred tax liabilities at 31 December	6,584	3,581	23,838	23,651	3,325	6,476	151	402	33,898	34,110

Deferred tax assets

	Lease liabilities		Impairment of trade and bills receivables		Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	404	293	5,863	4,240	10,301	9,916	2,451	3,677	496	735	19,515	18,861
Deferred tax credited/(charged) to the statement of profit or loss during the year*	(256)	84	(1,852)	1,321	1,536	(128)	(143)	(1,415)	(185)	(276)	(900)	(414)
Exchange realignment	6	27	151	302	185	513	63	189	12	37	417	1,068
Gross deferred tax assets at 31 December	154	404	4,162	5,863	12,022	10,301	2,371	2,451	323	496	19,032	19,515

* Net deferred tax credited to the consolidated statement of profit or loss for the year ended 31 December 2021 amounted to HK\$169,000 (2020: net deferred tax charged of HK\$3,509,000)(note 10).



Notes to Financial Statements

31 December 2021

30. DEFERRED TAX (continued)

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

	2021 HK\$'000	2020 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	18,503	18,737
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>33,369</u>	<u>33,332</u>

At the end of the reporting period, deferred tax assets arising in certain of the Group's subsidiaries have not been recognised in respect of (i) tax losses arising in Hong Kong of HK\$1,135.1 million (2020: HK\$1,149.1 million), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely and in Mainland China of HK\$106.5 million (2020: HK\$72.3 million) that are available for a maximum of five years, and (ii) deductible temporary differences of HK\$3,088,000 (2020: HK\$3,033,000), as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised in the foreseeable future.

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

At 31 December 2021, deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$193.4 million (2020: HK\$153.8 million) at 31 December 2021.

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



Notes to Financial Statements

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31. DEFERRED INCOME

	Notes	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January		1,598	1,782
Recognised during the year	5	(308)	(287)
Exchange realignment		38	103
		<hr/>	<hr/>
Carrying amount at 31 December		1,328	1,598
Portion classified as current liabilities	28	(326)	(317)
		<hr/>	<hr/>
Non-current portion		1,002	1,281
		<hr/> <hr/>	<hr/> <hr/>

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

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



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32. SHARE CAPITAL

Shares

	2021 HK\$'000	2020 HK\$'000
Authorised: 2,880,000,000 (2020: 2,880,000,000) ordinary shares of HK\$0.10 each	<u>288,000</u>	<u>288,000</u>
Issued and fully paid: 1,903,685,690 (2020: 1,903,685,690) ordinary shares of HK\$0.10 each	<u>190,369</u>	<u>190,369</u>

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012 pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by a resolution in a general meeting or by the board of directors, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other respects, the provisions of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the years ended 31 December 2021 and 2020, no share options were granted under the 2012 Scheme.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity on pages 75 and 76 of the financial statements.



Notes to Financial Statements

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35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interest:		
CPM Group Limited	25%	25%
	HK\$'000	HK\$'000
Loss for the year allocated to non-controlling interest:		
CPM Group Limited	(14,883)	(2,700)
Dividends paid to non-controlling interest:		
CPM Group Limited	2,500	2,500
Accumulated balance of non-controlling interest at the reporting date:		
CPM Group Limited	132,394	145,099



Notes to Financial Statements

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35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST (continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CPM Group Limited	2021	2020
	HK\$'000	HK\$'000
Revenue	838,066	712,886
Other income and gains, net	12,167	22,318
Total operating expenses	(911,458)	(747,842)
Income tax credit	1,780	1,903
Loss for the year	(59,445)	(10,735)
Other comprehensive income for the year	18,806	70,795
Total comprehensive income/(loss) for the year	(40,639)	60,060
Current assets	822,700	763,178
Non-current assets	380,780	382,205
Current liabilities	(654,836)	(542,310)
Non-current liabilities	(15,530)	(19,320)
Non-controlling interest	(3,538)	(3,358)
Net cash flows from operating activities	20,747	28,381
Net cash flows used in investing activities	(51,916)	(13,456)
Net cash flows used in financing activities	(13,232)	(13,325)
Net increase/(decrease) in cash and cash equivalents	(44,401)	1,600



Notes to Financial Statements

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36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$2,577,000 (2020: HK\$5,637,000) and HK\$2,577,000 (2020: HK\$5,637,000), respectively, in respect of lease arrangements for property, plant and equipment.
- (ii) During the year ended 31 December 2021, the Group completed the acquisition of certain items of property, plant and equipment, and investment properties, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK\$2,690,000 (2020: HK\$4,012,000).

(b) Changes in liabilities arising from financing activities

	2021	
	Interest-bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2021	269,689	4,785
Changes from financing cash flows	(629)	(3,878)
New leases	–	2,577
Interest expenses	–	103
Interest paid classified as operating cash flows	–	(103)
Foreign exchange movement	147	43
	<u>269,207</u>	<u>3,527</u>
At 31 December 2021		
	2020	
	Interest-bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2020	216,442	3,376
Changes from financing cash flows	53,476	(3,531)
New leases	–	5,637
Interest expenses	–	109
Interest paid classified as operating cash flows	–	(109)
Termination	–	(877)
Foreign exchange movement	(229)	180
	<u>269,689</u>	<u>4,785</u>
At 31 December 2020		



Notes to Financial Statements

31 December 2021

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK\$'000	2020 HK\$'000
Within operating activities	3,511	1,923
Within financing activities	3,878	3,531
	<u>7,389</u>	<u>5,454</u>

37. CONTINGENT LIABILITIES

At the end of the current and prior years, contingent liabilities not provided for in the financial statements were as follows:

	2021 HK\$'000	2020 HK\$'000
Guarantees given to the bank for: Performance bonds	<u>1,345</u>	<u>–</u>

The performance bonds were secured by the pledged deposits of HK\$1,345,000 as at 31 December 2021 (2020: Nil).

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable, bank borrowings and performance bonds are included in notes 27, 29 and 37, respectively, to the financial statements.

39. COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for: Construction and purchases of items of property, plant and equipment	<u>3,822</u>	<u>3,278</u>



Notes to Financial Statements

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40. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with the then associate, 廣州太平洋馬口鐵有限公司 during the year ended 31 December 2020:

	Notes	2020 HK\$'000
Purchases of iron and steel products	(i)	29,801
Secondment income	(ii)	<u>466</u>

- (i) The purchases were made according to the market price and similar conditions offered by the associate to its major customers.
- (ii) The secondment income was derived from the secondment services provided to the associate and was charged based on mutually agreed terms.

(b) Outstanding balances with related parties

Details of the Group's balance with an associate as at the end of the reporting period are disclosed in note 17 to the financial statements.

(c) Compensation of key management personnel of the Group

	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	5,795	5,859
Post-employment benefits	<u>36</u>	<u>36</u>
Total compensation paid/payable to key management personnel	<u>5,831</u>	<u>5,895</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.



Notes to Financial Statements

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Equity investments designated at fair value through other comprehensive income	–	–	47,987	47,987
Trade and bills receivables	452,113	–	–	452,113
Financial assets at fair value through profit or loss	–	6,418	–	6,418
Financial assets included in prepayments, deposits and other receivables	23,293	–	–	23,293
Pledged deposits	42,308	–	–	42,308
Cash and cash equivalents	455,165	–	–	455,165
	972,879	6,418	47,987	1,027,284

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Due to an associate	2,800
Trade and bills payables	352,404
Financial liabilities included in other payables and accruals and deposits received	45,557
Interest-bearing bank borrowings	269,207
Lease liabilities	3,527
	673,495



Notes to Financial Statements

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41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2020

Financial assets

	Financial assets at fair value through profit or loss (Mandatorily designated as such) HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Equity investments designated at fair value through other comprehensive income	–	47,976	47,976
Trade and bills receivables	392,550	–	392,550
Financial assets included in prepayments, deposits and other receivables	49,747	–	49,747
Structured deposits	–	5,958	5,958
Pledged deposits	2,580	–	2,580
Cash and cash equivalents	502,124	–	502,124
	<u>947,001</u>	<u>47,976</u>	<u>1,000,935</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Due to an associate	2,800
Trade and bills payables	234,067
Financial liabilities included in other payables and accruals and deposits received	48,350
Interest-bearing bank borrowings	269,689
Lease liabilities	4,785
	<u>559,691</u>



Notes to Financial Statements

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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair value of the non-current portion of financial assets included in prepayments, deposits and other receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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

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

The fair value of structured deposits is determined in accordance with discounted cash flow analysis with reference to the expected return of structured deposits.



Notes to Financial Statements

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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of equity investments designated at fair value through other comprehensive income and structured deposits together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the inputs/relationship of unobservable inputs to fair value		
Unlisted equity investments	Market comparison approach	Unit rates of grave plots	2021: HK\$35,000 to HK\$253,000 per grave plot (2020: HK\$32,000 to HK\$226,000 per grave plot)	5% (2020: 5%) increase/decrease in the unit rates of grave plots would result in increase/decrease in fair value by HK\$2,900,000 (2020: HK\$3,200,000)		
		Unit rates of niches	2021: HK\$10,000 to HK\$11,000 per niche (2020: HK\$9,000 to HK\$10,000 per niche)	5% (2020: 5%) increase/decrease in unit rates of niches would result in increase/decrease in fair value by HK\$34,000 (2020: HK\$26,000)		
		Unit rates of graveyard land	2021: HK\$130,000 to HK\$1,260,000 per mu (2020: HK\$882,000 to HK\$906,000 per mu)	5% (2020: 5%) increase/decrease in unit rates of graveyard land would result in increase/decrease in fair value by HK\$338,000 (2020: HK\$499,000)		
		Minority discount	2021: 5% to 25% (2020: 5% to 10%)	5% (2020: 5%) increase/decrease in minority discount would result in decrease/increase in fair value by HK\$3,406,000 (2020: HK\$3,261,000)		
		Discount for lack of marketability	2021: 30% to 40% (2020: 30% to 40%)	5% (2020: 5%) increase/decrease in lack of marketability discount would result in decrease/increase in fair value by HK\$113,000 (2020: HK\$149,000)		
		Structured deposits	Discounted cash flow method	Expected rate of return	2021: N/A (2020: 2.69% to 3.00%)	10% increase/decrease in expected rate of return would not result in significant impact on fair value
				Discount rate	2021: N/A (2020: 1.10%)	10% increase/decrease in discount rate would not result in significant impact on fair value



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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	

Assets measured at fair value:

At 31 December 2021

Equity investments designated at fair value through other comprehensive income

– 300 47,687 47,987

Financial assets at fair value through profit or loss

6,418 – – 6,418

6,418 300 47,687 54,405

At 31 December 2020

Equity investments designated at fair value through other comprehensive income

– 300 47,676 47,976

Structured deposits

– – 5,958 5,958

– 300 53,634 53,934



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31 December 2021

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	2021 HK\$'000	2020 HK\$'000
<u>Equity investments designated at fair value through other comprehensive income:</u>		
At 1 January	47,676	49,031
Total gain/(loss) recognised in other comprehensive income	11	(1,355)
At 31 December	<u>47,687</u>	<u>47,676</u>
<u>Structured deposits:</u>		
At 1 January	5,958	–
Purchases	–	5,958
Redemption	(6,023)	–
Exchange realignment	65	–
At 31 December	<u>–</u>	<u>5,958</u>

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 31 December 2020.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).



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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as structured deposits, pledged deposits, trade and bills receivables, deposits and other receivables, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, an amount due to an associate, trade and bills payables, other payables and accruals and deposits received and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

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



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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on deposits with banks and floating rate borrowings). There is no impact on the Group's equity, except on the retained profits.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000
2021		
HK\$	50	472
RMB	50	(1,294)
HK\$	(50)	(472)
RMB	(50)	1,294
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000
2020		
HK\$	50	453
RMB	50	(1,202)
HK\$	(50)	(453)
RMB	(50)	1,202

Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in HK\$ and RMB. The Group also has significant investments in Mainland China and its consolidated statement of financial position, with a portion of its bank deposits, trade receivables and payables denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK\$ and RMB.



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK\$'000
2021		
If HK\$ weakens against RMB	5	(352)
If HK\$ strengthens against RMB	(5)	352
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK\$'000
2020		
If HK\$ weakens against RMB	5	(923)
If HK\$ strengthens against RMB	(5)	923

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month	Lifetime ECLs			HK\$'000
	ECLs	Stage 2	Stage 3	Simplified approach	
	Stage 1	Stage 2	Stage 3	approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	–	–	–	499,168	499,168
Bills receivable					
– Normal**	21,626	–	–	–	21,626
Financial assets included in prepayments, deposits and other receivables					
– Normal**	23,293	–	–	–	23,293
– Doubtful**	–	–	2,800	–	2,800
Pledged deposits					
– Not yet past due	42,308	–	–	–	42,308
Cash and cash equivalents					
– Not yet past due	455,165	–	–	–	455,165
	542,392	–	2,800	499,168	1,044,360



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month	Lifetime ECLs			HK\$'000
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	–	–	–	432,818	432,818
Bills receivable					
– Normal**	23,656	–	–	–	23,656
Financial assets included in prepayments, deposits and other receivables					
– Normal**	49,747	–	–	–	49,747
– Doubtful**	–	–	2,800	–	2,800
Pledged deposits					
– Not yet past due	2,580	–	–	–	2,580
Cash and cash equivalents					
– Not yet past due	502,124	–	–	–	502,124
	<u>578,107</u>	<u>–</u>	<u>2,800</u>	<u>432,818</u>	<u>1,013,725</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the bills receivable and financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the bills receivables and financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the bills receivables and financial assets is considered to be “doubtful”.



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's policy is to regularly monitor the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and longer terms.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within one year HK\$'000	In the second to fifth years HK\$'000	Total HK\$'000
2021			
Due to an associate	2,800	–	2,800
Trade and bills payables	352,404	–	352,404
Financial liabilities included in other payables and accruals and deposits received	45,557	–	45,557
Interest-bearing bank borrowings*	269,207	–	269,207
Lease liabilities	2,816	752	3,568
	<u>672,784</u>	<u>752</u>	<u>673,536</u>
	On demand or within one year HK\$'000	In the second to fifth years HK\$'000	Total HK\$'000
2020			
Due to an associate	2,800	–	2,800
Trade and bills payables	234,067	–	234,067
Financial liabilities included in other payables and accruals and deposits received	48,350	–	48,350
Interest-bearing bank borrowings*	269,689	–	269,689
Lease liabilities	3,029	1,862	4,891
	<u>557,935</u>	<u>1,862</u>	<u>559,797</u>



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

* Included in the above interest-bearing bank borrowings of the Group are certain bank loans with a carrying amount as at 31 December 2021 of HK\$269,207,000 (2020: HK\$269,689,000), the banking facility letters of which contain a repayment on demand clause giving the creditor banks of the bank loans the right to call in the bank loans at any time. Accordingly, for the purpose of the above maturity profile, the contractual undiscounted payments of such bank loans of the Group are classified as "on demand or less than one year".

In accordance with the terms of the bank loans which contain a repayment on demand clause, the maturity profile of those loans as at 31 December, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Within one year HK\$'000	In the second to fifth years HK\$'000	Over fifth years HK\$'000	Total HK\$'000
2021	<u>156,256</u>	<u>77,117</u>	<u>61,417</u>	<u>294,790</u>
2020	<u>161,133</u>	<u>71,586</u>	<u>64,020</u>	<u>296,739</u>

Notwithstanding the above clause, the directors of the Company do not believe that such bank loans will be called in their entirety within 12 months at the end of the reporting period and they consider that the loans will be repaid in accordance with the maturity dates as set out in the banking facility letters. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements, the lack of events of defaults, and the fact that the Group has made all previously scheduled repayments on time.



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 24) as at 31 December 2021. The Group's listed investments are listed on the Hong Kong, Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year 31 December 2021, and their respective highest and lowest points during the year were as follows:

	31 December 2021	High/low 2021
Hong Kong – Hang Seng Index	23,398	31,085/ 22,745
Shenzhen – A Share Index	2,648	2,681/ 2,261
Shanghai – A Share Index	3,814	3,894/ 3,519

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

2021 Investments listed in:	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in rate of fair value %	Decrease/ (increase) in loss before tax HK\$'000
Hong Kong – Financial assets at fair value through profit or loss	5,289	5 (5)	264/ (264)
Shenzhen – Financial assets at fair value through profit or loss	263	5 (5)	13/ (13)
Shanghai – Financial assets at fair value through profit or loss	866	5 (5)	43/ (43)



Notes to Financial Statements

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is bank borrowings divided by equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2021 HK\$'000	2020 HK\$'000
Bank borrowings	<u>269,207</u>	<u>269,689</u>
Equity attributable to owners of the parent	<u>1,545,998</u>	<u>1,584,672</u>
Gearing ratio	<u>17.4%</u>	<u>17.0%</u>



Notes to Financial Statements

31 December 2021

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	34	39
Right-of-use assets	60	73
Interests in subsidiaries	335,463	357,702
Due from subsidiaries	271,780	280,246
Deferred tax asset	907	1,810
Total non-current assets	<u>608,244</u>	<u>639,870</u>
CURRENT ASSETS		
Prepayments, deposits and other receivables	14,872	20,436
Cash and cash equivalents	217,608	229,611
Total current assets	<u>232,480</u>	<u>250,047</u>
CURRENT LIABILITIES		
Other payables and accruals	3,210	3,319
Lease liabilities	19	17
Total current liabilities	<u>3,229</u>	<u>3,336</u>
NET CURRENT ASSETS	<u>229,251</u>	<u>246,711</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>837,495</u>	<u>886,581</u>
NON-CURRENT LIABILITIES		
Lease liabilities	36	55
Net assets	<u>837,459</u>	<u>886,526</u>
EQUITY		
Issued capital	190,369	190,369
Reserves (note)	647,090	696,157
Total equity	<u>837,459</u>	<u>886,526</u>



Notes to Financial Statements

31 December 2021

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Fair value reserve (non- recycling) HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	88,970	249,119	(52,501)	466,386	751,974
Total comprehensive loss for the year	-	-	-	(17,743)	(17,743)
Final 2019 dividend declared and paid	-	-	-	(38,074)	(38,074)
At 31 December 2020 and 1 January 2021	88,970	249,119	(52,501)	410,569	696,157
Total comprehensive loss for the year	-	-	-	(10,993)	(10,993)
Final 2020 dividend declared and paid	-	(38,074)	-	-	(38,074)
At 31 December 2021	88,970	211,045	(52,501)	399,576	647,090

* A portion of the contributed surplus arose as a result of the transfer from the share premium account pursuant to a court approval obtained in 1992 for the purpose of writing off the goodwill arising on the acquisition of subsidiaries. The remaining portion of the contributed surplus arose in 1991 as a result of a group reorganisation and originally represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated net asset value of the acquired subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2022.



Schedule of Principal Properties

31 December 2021

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C, D and F, 28th Floor CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
18th Floor, CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Ground Floor No. 497 Shanghai Street Mong Kok Kowloon Hong Kong	100	Medium term	Commercial
Shop at Ground Floor of Wan Chai Hotel No. 11 Morrison Hill Road Wanchai Hong Kong	100	Long term	Commercial
Whole Block of CHI 393 No. 391 Shanghai Street Kowloon Hong Kong	100	Medium term	Serviced apartment
Office Units 2506 and 2507, Block A Tianxia International Center Taoyuan Road Nanshan District Shenzhen City Guangdong Province the PRC	100	Medium term	Commercial



Schedule of Principal Properties

31 December 2021

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units 801 and 807, 8th Floor and Car Parking Space Nos. 371 to 376 and 486 to 489 on Basement Level 1, Greenland Rongxin Commercial Centre Lane 1588 No. 499 Zhuguang Road Xujing Town Qingpu District Shanghai the PRC	100	Medium term	Commercial
Unit H, 25th Floor, Qian Jiang Tower No. 971 Dongfang Road Pudong District Shanghai the PRC	100	Medium term	Commercial
Unit 4905, 49th Floor Block 4, Greenland Centre Wangjing Dongyuan Chaoyang District Beijing the PRC	100	Medium term	Commercial
Factory Complex No.13 Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du District Guangzhou City Guangdong Province the PRC	100	Medium term	Industrial
Industrial Complex No. 22 Jinshui Road Xuzhou Economic Development District Xuzhou City Jiangsu Province the PRC	75	Medium term	Industrial
Industrial Complex Nos. 3889 and 3899 Waiqingsong Highway Qingpu District Shanghai the PRC	75	Medium term	Industrial



Schedule of Principal Properties

31 December 2021

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units 2301-2, 2501-2, 2601-2 of Block B and 2603-4, 2703-4 of Block C Phase 3, Philippe Castle Interchange of Xin Sha Road and Huan Zhen Road Shajing Street Baoan District Shenzhen City Guangdong Province the PRC	100	Medium term	Residential
Flat Nos. 1003, 1103, 1203, 1303 and 1403 10th Floor to 14th Floor Unit 2 of Block 2, Zone 1 and Car Parking Space Nos. 069 and 076 on Basement Level 1 Feicui Pearl Yayuan No. 36 Yuewan Road Sanijao Town Zhongshan City Guangdong Province the PRC	100	Medium term	Residential

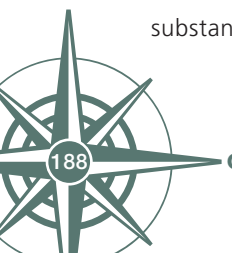
PROPERTIES UNDER DEVELOPMENT

Location	Percentage of interest in property attributable to the Group	Existing use	Approximate site/gross floor area	Expected completion date	Stage of completion
Lot Nos. 879, 880S.A. SS1 880S.B. SS1, 881 to 885 889R.P., 891, 1318 1326 and 1344 in Demarcation District No. 115 Au Tau Yuen Long New Territories Hong Kong	100	Agricultural and house lots	3,700 sq. m.	N/A	Pending for development



Glossary

AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Board
AGM	Annual general meeting of the Company
Board	The board of Directors
Bye-laws	The bye-laws of the Company
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Chairman	The chairman of the Company
Companies Act	The Companies Act 1981 of Bermuda
Company	CNT Group Limited
Company Secretary	The company secretary of the Company
COVID-19	Coronavirus Disease 2019
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
NC Chairman	The chairman of the Nomination Committee
NC or Nomination Committee	The nomination committee of the Board
PRC	The People's Republic of China
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Board
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK\$0.10 each in the capital of the Company
Share Option Scheme	The share option scheme adopted by the Company on 28 June 2012
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the meaning as defined in the Listing Rules





CNT GROUP LIMITED
北海集團有限公司