KAISA CAPITAL INVESTMENT HOLDINGS LIMITED
佳兆業資本投資集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 936)

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Kwok Ying Shing *(Chairman)*
Mr. Zhao Yi *(Chief Executive Officer)*
Ms. Lee Kin Ping Gigi

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Xu Xiaowu
Mr. Li Yongjun
Mr. Diao Yingfeng

COMPANY SECRETARY
Ms. Poon Yuk Ching Ada

AUTHORISED REPRESENTATIVES
Mr. Zhao Yi
Ms. Poon Yuk Ching Ada

PRINCIPAL BANKERS
Hong Kong
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
United Overseas Bank Limited
The Bank of East Asia, Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS
Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Xu Xiaowu *(Chairman)*
Mr. Li Yongjun
Mr. Diao Yingfeng

REMUNERATION COMMITTEE
Mr. Li Yongjun *(Chairman)*
Mr. Kwok Ying Shing
Mr. Diao Yingfeng

NOMINATION COMMITTEE
Mr. Kwok Ying Shing *(Chairman)*
Mr. Xu Xiaowu
Mr. Li Yongjun

REGISTERED OFFICE
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 3610, 36/F., The Center,
99 Queen's Road Central,
Central, Hong Kong

INDEPENDENT AUDITOR
Grant Thornton Hong Kong Limited

WEBSITE
https://kaisa-capital.com

Listing Information

Place of Listing
Main Board of The Stock Exchange of Hong Kong Limited

Stock Code
936

Board lot
10,000 shares

Dear Shareholders,

I am pleased to present the annual results of Kaisa Capital Investment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 (the "Year").

During the Year, the Group generated revenue from continuing operations of approximately HK$214.7 million (2020: approximately HK$143.1 million) with a profit for the year from continuing operations of approximately HK$4.0 million (2020: a loss of approximately HK$63.0 million).

The Group's continuous efforts in equipment optimisation and upgrade, as well as the development of the Mainland China market, have been effective in turning the construction equipment business into a profit. The Group has been striving to replace its equipment with newer models, with the aim to improving the performance and efficiency of tower cranes as well as the safety of erection and dismantling works, and enhancing customer satisfaction and service quality, so as to accelerate the transformation of the Group's construction equipment business to even higher levels. In April 2020, the Group successfully won a bid for a residential site at Reclamation Street and Shanghai Street in Mongkok, Hong Kong, at a price of HK$85.9 million, which was approximately 30% below the expected bottom market price. The site is a residential and commercial complex, with a number of large shopping malls in close proximity and a complete range of service facilities, and is conveniently located within a 5-minute walking distance from both Mongkok and Yau Ma Tei MTR stations. The project site is currently at the pile foundation stage and will then undergo foundation support and pile cap works, all of which are expected to be completed by June 2022.

The construction equipment business will continue to face challenges in the short term due to the expected slowdown in both the construction work progress and residential housing demand as a result of uncertainty over the development of the coronavirus disease 2019 ("COVID-19") variant globally and the real estate cooling measures adopted in Mainland China. Nevertheless, in the medium term, the Building and Construction Authority of Singapore forecast that total construction demand will reach between S$25 billion and S$32 billion per year from 2023 to 2026. The Ministry of Housing and Urban-Rural Development of the People's Republic of China has recently published the "14th Five-Year Plan for the Development of Construction Industry", which proposed that prefabricated buildings shall account for more than 30% of new construction. The board of directors of the Company (the "Board") believes that the Group is fully capable of capturing the rising construction demand in the coming years. Leveraging on the Group's courage and initiative to achieve breakthrough in an ever-changing environment, determination to slash through thorny obstacles, and expertise in project construction, the Board will continue to evaluate construction and property projects in Hong Kong, Singapore and Mainland China while investing and developing into the tower crane rental market, and will look for opportunities to acquire construction companies and increase its land reserve to facilitate inter-connected development in machinery, construction and property businesses.

Appreciation

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the Board, I would like to express our sincere appreciation to all the Company's stakeholders for their support to the Company over the years and to our valued customers, business partners and investors for their continuous support to the Group.

Kwok Ying Shing
Chairman

Hong Kong
29 March 2022

OPERATIONAL AND FINANCIAL REVIEW

Overall Performance

For the Year, the Group generated revenue from continuing operations of approximately HK$214.7 million (2020: approximately HK$143.1 million) with a profit for the Year from continuing operations of approximately HK$4.0 million (2020: a loss of approximately HK$63.0 million).

Business Review

Revenue from sales of machinery was approximately HK$11.7 million for the Year, representing a decrease of approximately 3.7% as compared to the amount the Group achieved for FY2020. This was due to the decrease in demands of new cranes in Hong Kong and Singapore.

Rental income from leasing of machinery increased from approximately HK$101.2 million to approximately HK$170.4 million for the Year, representing an increase of approximately 68.4% year over year mainly due to the development of the tower crane leasing market in the People's Republic of China (the "**PRC**").

Revenue from service income increased from approximately HK$27.7 million to approximately HK$30.9 million for the Year, representing an increase of approximately 11.4% year over year mainly due to an increase in demand of service in Hong Kong.

Sales of spare parts was approximately HK$1.8 million for the Year, representing a decrease of approximately 12.1% from the amount recorded for FY2020. The decrease was mainly due to the change in market demand of spare parts for the machinery.

As at 31 December 2021, the Group had one property development project under development in Hong Kong and it had commenced in the second quarter of 2020. There was no sale of property during the Year.

The Group's Property Development Project as at 31 December 2021

Project name	**Location/Postal address**	**Interests Attributable to the Group**	**Total site area** *(sq. ft.)*	**Status**	**Estimated year of completion** *(Note)*	**Usage**
Mong Kok	Lot No. 11238 at Reclamation Street and Shanghai Street, Mong Kok, Kowloon, Hong Kong	100%	2,718	Under development	February 2024	Residential

Note: The estimated year of completion is made based on the present situation and progress of the project.

Analysis of Properties Under Development as at 31 December 2021

Project name	Total GFA* (sq. ft.)	GFA under development/ completed (sq. ft.)	Total saleable GFA* (sq. ft.)	Accumulated GFA* sold as at 31 December 2021 (sq. ft.)	Accumulated GFA* delivered as at 31 December 2021 (sq. ft.)	Average Selling Price (HK$/sq. ft.)
Mong Kok	22,594	0	12,279	0	0	0

* GFA means gross floor area

Dividend

The Board has resolved not to recommend the payment of any dividend for the Year (2020: Nil).

Financial Review

Results for the Year

As detailed in the section headed "**Overall Performance**" above, the Group recorded a profit from continuing operations of approximately HK$4.0 million for the Year (2020: a loss of approximately HK$63.0 million).

For the FY2021, the Group's other income and gains from continuing operations amounted to approximately HK$7.7 million, representing an increase of approximately 32.4% compared to that of FY2020. The increase was mainly attributable to an increase in dividend and investment income from the financial assets.

As at 31 December 2021, the Group's property, plant and equipment amounted to approximately HK$187.6 million, representing an increase of approximately 35.2% compared to that as at 31 December 2020. The depreciation charges included in other operating expenses, and staff costs included in cost of sales and administrative expenses from the continuing operations for the Year increased by approximately HK$10.3 million and decreased by HK$0.8 million, respectively, as compared to the amounts for the previous year.

Finance costs from continuing operations amounted to approximately HK$10.3 million for the FY2021, representing a decrease of approximately 42.2% compared to those of FY2020.

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$26.4 million as at 31 December 2021 (2020: approximately HK$30.0 million).

The total equity of the Group increased to approximately HK$132.2 million as at 31 December 2021 (2020: approximately HK$127.3 million).

As at 31 December 2021, the Group had net current liabilities of approximately HK$33.7 million (2020: approximately HK$39.5 million).

Capital Structure

As at 31 December 2021, the Company's share capital comprised 1,060,000,000 issued ordinary shares with par value of HK$0.01 each (the "**Shares**", each, a "**Share**"). There was no change in the share capital of the Company during the Year.

Investment Position and Planning

During the Year, the Group spent approximately HK$88.7 million and HK$Nil for acquisition of plant and equipment and leasehold land for property development, respectively (2020: approximately HK$29.6 million and HK$85.9 million, respectively).

Pursuant to a resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited ("**Manta-Vietnam**"), a company incorporated in Vietnam and an indirect 67%-owned subsidiary of the Company (the "**Board of Management**") held on 10 January 2013, the Board of Management resolved to liquidate Manta-Vietnam. A notification of the dissolution of Manta-Vietnam was issued on 29 April 2021.

Significant Investments/Material Acquisitions and Disposals

Saved as disclosed above, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Future Plan for Material Investments or Capital Assets

Saved as disclosed above, the Group did not have other plans for material investments and capital assets as at 31 December 2021.

Gearing

The Group monitors capital using a gearing ratio, which is calculated by dividing the total debts (sum of carrying amounts of other loans, borrowings and lease liabilities) by the total equity as at the respective dates. The Group's gearing ratio as at 31 December 2021 was increased to 2.0 (2020: 1.8), mainly due to the increase in interest-bearing borrowings/bank borrowings for the Year.

Pledge of Group Assets and Contingent Liabilities

As at 31 December 2021, the Group's banking facilities were secured by the Group's estate right title benefit and interest of the leasehold land with a carrying amount of HK$85.9 million (2020: approximately HK$85.9 million), a building of the Group with an aggregate carrying amount of approximately HK$28.2 million (2020: approximately HK$30.8 million), property, plant and equipment of approximately HK$7.0 million (2020: approximately HK$6.8 million), and corporate guarantees executed by the Company and certain subsidiaries.

As at 31 December 2021, the Group's lease liabilities were secured by property, plant and equipment of approximately HK$58.1 million (2020: approximately HK$65.5 million).

As at 31 December 2021, the Group's other borrowings were secured by property, plant and equipment of approximately HK$21.4 million (2020: approximately HK$17.0 million) and corporate guarantees executed by the Company and certain subsidiaries.

As at 31 December 2021, the Group and the Company did not have any significant contingent liabilities (2020: Nil).

Exchange Rate Exposure

During the Year and as at 31 December 2021, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from the Group's rental operations in Singapore and the PRC were primarily denominated in Singapore dollar and Renminbi, respectively. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro, United States dollar or Renminbi. For purchases in foreign currencies, hedging transactions may be entered into against fluctuations in the foreign exchange rate. However, no hedging arrangement was undertaken for revenue generated from the Group's operations in Singapore and the PRC.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement are charged by reference to prevailing market rates.

Commitments

As at 31 December 2021, the Group had total capital commitments of approximately HK$5.7 million and HK$24.4 million related to the acquisitions of property, plant and equipment and properties under development for sale, respectively (2020: approximately HK$4.0 million and HK$38.7 million, respectively).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 121 (2020: 109) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities. Periodic in-house trainings have been provided to the employees to enhance the knowledge of the workforce.

FUTURE PROSPECTS

In the short term, demand for residential construction in Hong Kong and the PRC is expected to weaken in view of the latest cooling measures in the housing sector. Due to the combined effect of the uncertainty of the global COVID-19 pandemic, restrictions on commercial activities brought upon by border controls, delays in construction work arising from intermittent work stoppages, and rising freight costs on the procurement, delivery and scheduling of tower crane shipments, we expect the construction equipment business to remain challenging.

In the medium term, the Building and Construction Authority of Singapore forecast that total construction demand will reach between S$25 billion and S$32 billion per year from 2023 to 2026. Such projection excludes the development of Changi Airport Terminal 5 and its associated infrastructure projects, as well as the expansion of two integrated resorts, which will commence construction once the current COVID-19 pandemic has ended.

According to the latest press release issued by the Hong Kong Construction Industry Council, with the Northern Metropolis Development Strategy and Lantau Tomorrow Vision, together with other infrastructures and projects, Hong Kong's annual total construction output will reach around HK$300 billion.

The "14th Five-Year Plan for the Development of Construction Industry" published by the Ministry of Housing and Urban-Rural Development of the PRC has stated that a policy mechanism and an industry system for the synergistic development of smart construction and new industrialised building are substantially established, and that prefabricated buildings shall account for more than 30% of new construction. Against the backdrop of 'dual carbon' goals, the importance of prefabricated construction as a vital way to save energy and reduce emissions in the construction industry has been further enhanced. The increasing proportion of prefabricated buildings in new construction at the policy level is expected to provide a strong impetus to the prefabricated construction industry. The Group continues to be optimistic about the development of the Greater Bay Area. The Shenzhen government requires that the proportion of prefabricated buildings in the city shall account for more than 60% of new construction area by 2025, and therefore, the Group will continue to explore the tower crane market of the PRC in the future. At the same time, the Group will continue to evaluate property projects in Hong Kong, Singapore and Mainland China and seek opportunities to acquire additional land reserves, which will inject more vibrancy to the Group's future development.

Additional information relating to the qualified opinion

As set out on page 62 of this annual report, a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2020 was issued in relation to Best Earnest Investments Limited (佳誠投資有限公司) ("Best Earnest") and its subsidiaries including Guangdong Dahe Biological Technologies Limited (廣東大合生物科技股份有限公司) ("Guangdong Dahe") (the "Best Earnest Group"). A qualified opinion on the consolidated financial statements for the year ended 31 December 2021 would be issued because of the possible effects of abovementioned matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income. The Company has agreed with Grant Thornton Hong Kong Limited (the "Auditor"), the independent auditor of the Company in this regard.

As stated above, the management of the Company (the "Management") agreed to the Audit Modification on the following basis:

(a) the Management noted the limitation for the Auditor to obtain sufficient audit evidence on the relevant financial information of the Best Earnest Group given the Auditor were refused access to Guangdong Dahe's office and its plantation site for audit and were unable to obtain the complete books and records after completion of the disposal of Best Earnest in June 2020; and

(b) there were no alternative audit procedures to satisfy the Auditor as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have a consequential effect on the Group's assets and liabilities, accumulated losses and its results for the year ended 31 December 2021.

As noted on page 62 of this annual report, the Audit Modification on the consolidated financial statements for the year ended 31 December 2021 was only modified to the extent of the possible effects of the matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

There is no difference in views between the Directors and the Auditor with regard to the Audit Modification.

The Audit Modification is concerning the limitation of scope in respect of the disposal of the Best Earnest Group on 24 June 2020. This transaction affected the financial performance and financial position of the year ended 31 December 2020 only and has no impact to the financial performance and financial position to the year ended 31 December 2021 and the year ending 31 December 2022. The Audit Modification was included in the consolidated financial statements for the year ended 31 December 2021 solely for the purpose of illustrating the possible effects of the matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income for the two years ended 31 December 2020 and 2021. The Auditor generally expect the Audit Modification can be removed in the consolidated financial statements of the Company for the year ending 31 December 2022.

The Auditor submitted their audit committee report (the "AC Report") to the Audit Committee, which contained the rationale and the accounting treatment regarding the qualified opinion on the Group's consolidated financial statement for the year ended 31 December 2021.

Having considered that (i) there is a limitation for the Auditor to obtain appropriate audit evidence to justify the loss on disposal of the Best Earnest Group and the loss from discontinued operation as they were refused access to Guangdong Dahe's office and its plantation site for audit after the disposal; and (ii) there were no alternative audit procedures to satisfy whether the opening balances and corresponding figures of the Best Earnest Group were free from material misstatement, the Audit Committee reviewed and agreed with the Directors' position concerning the Audit Modification. The Audit Committee also noted that the Auditor generally expect that the Audit Modification can be removed in the consolidated financial statements for the year ending 31 December 2022 given the Audit Modification was included in the consolidated financial statements for the year ended 31 December 2021 solely for the purpose of illustrating the possible effects of the matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income for the two years ended 31 December 2020 and 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Kwok Ying Shing, aged 57, is the chairman of the Board (the "**Chairman**"). Mr. Kwok was appointed as an executive Director and the Chairman on 16 July 2021. He is also the chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company.

Mr. Kwok is currently the chairman and an executive director of Kaisa Group Holdings Ltd ("**Kaisa Group**") (a company listed on the Main Board of the Stock Exchange, stock code: 1638), the substantial shareholder of the Company. He is one of the founders of Kaisa Group and has been the chairman of its board and a director since its inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of Kaisa Group. Mr. Kwok is also an executive director of Kaisa Health Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 876) and the chairman and an executive director of Sing Tao News Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1105). Mr. Kwok has extensive experience in real estate development, investment and financing management.

Mr. Zhao Yi, aged 46, is the chief executive officer of the Company (the "**Chief Executive Officers**"). Mr. Zhao was appointed as an executive Director and the Chief Executive Officer on 4 November 2019. Mr. Zhao is also an authorised representative of the Company under each of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Zhao has over 20 years of experience in finance matters. He has worked in various positions, including but not limited to senior vice president, general manager of a department, etc. in a large investment group in the PRC since 2010, mainly responsible for finance and funding matters. Prior to joining the Group, Mr. Zhao worked as a senior management member of the finance section in various large groups from 1999 to 2008.

Mr. Zhao obtained a master's degree in business administration for senior management in Dongbei University of Finance & Economics (東北財經大學), the PRC, in December 2012. He is a registered accountant in the PRC.

Ms. Lee Kin Ping Gigi, aged 40, is an executive Director appointed on 16 July 2021. She is also a director of certain subsidiaries of the Company.

Ms. Lee is the vice president of Kaisa Group. Ms. Lee is responsible for the management of legal and compliance, and administration and human resources department of Kaisa Financial Group Company Limited, a subsidiary of Kaisa Group. Ms. Lee is one of the directors of Mighty Empire. Ms. Lee served as the general manager of administration and human resources department of Hong Kong office of Kaisa Group, as well as the general manager of public relations and investor relations department and the vice president of Kaisa Financial Group Company Limited since 2015. Ms. Lee received her associate degree of Computer Science in 2004 and obtained a postgraduate diploma in Corporate Compliance at the University of Hong Kong in 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaowu, aged 48, was appointed as an independent non-executive Director on 4 November 2019. Mr. Xu is also the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of the Nomination Committee.

Mr. Xu has more than 29 years of experience in audit and accounting works in the PRC. He worked as an auditor and accountant in various accounting firms in the PRC. From January 2005 to May 2010, Mr. Xu was an executive partner of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*); from June 2010 to July 2013, Mr. Xu was the deputy branch manager of China Audit Asia Pacific Certified Public Accountants LLP, Shenzhen Branch (中審亞太會計師事務所深圳分所); from August 2013 to September 2015, Mr. Xu was a senior consultant of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*); and since October 2015, Mr. Xu has been the branch manager of 中證天通會計師事務所深圳分所 (Zhongzheng Tiantung Accounting Firm, Shenzhen Branch).

Mr. Xu was an independent director of each of 中嘉博創信息技術股份有限公司 (ZJBC Information Technology Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 000889) from June 2016 to February 2019 and 廣東星徽精密製造股份有限公司 (Guangdong SACA Precision Manufacturing Co., Ltd*) (a company listed on the Shenzhen Stock Exchange, stock code: 300464) from November 2016 to January 2020, and has been an independent director of 廣東塔牌集團股份有限公司 (Guangdong Tapai Group Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 002233) since June 2019, and 深圳市有方科技股份有限公司 (Shenzhen Neoway Technology Co., Ltd.*)(a company listed on the Shanghai Stock Exchange, stock code: 688159 since July 2017.

Mr. Xu obtained a master of business administration in New York Institute of Technology, the United States of America, in May 2013 and was qualified as a certified accountant in the PRC in August 1999.

Mr. Li Yongjun, aged 56, was appointed as an independent non-executive Director on 4 November 2019. Mr. Li is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Li has more than 30 years of experience in legal works in the PRC. He worked as the legal consultant of 唐山鋼鐵股份有限公司 (Tangshan Iron and Steel Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 000709, now known as 河鋼股份有限公司 (Hegang Co., Ltd.*)) in the 1980s. From 1998 to 2010, Mr. Li worked for 廣東萬商律師事務所 (Guangdong V&T Law Firm*) and 廣東江山宏律師事務所 (Guangdong Jiangshanhong Law Firm*) in Shenzhen, served as a legal consultant in PRC law for Hon Hai/Foxconn Technology Group of Taiwan, and advised various sizeable PRC companies. He joined Beijing Long An Law Firm (北京隆安律師事務所) in 2010 and is currently a senior partner, advising and providing consulting services for various companies on their arbitration and legal disputes.

Mr. Li obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學), the PRC, in 1987 and was qualified as a PRC lawyer in 1988. He obtained a doctor of philosophy in laws from China University of Political Science and Law (中國政法大學), the PRC, in 2009.

* *For identification purposes only*

Mr. Diao Yingfeng, aged 50, was appointed as an independent non-executive Director on 6 December 2019. Mr. Diao is a member of each of the Audit Committee and the Remuneration Committee.

Mr. Diao has more than 16 years of experience in tax and accounting works in the PRC. He worked as a partner, tax adviser and accountant in various taxation agency firms in the PRC. From March 2003 to December 2008, Mr. Diao worked as a Deputy General Manager of 廣東中成海華税務師事務所有限公司深圳分公司 (Guangdong Zhongcheng Haihua Taxation Agency Co., Ltd., Shenzhen branch*); from January 2009 to October 2016, Mr. Diao was the head of 深圳市嘉信瑞税務師事務所有限公司 (Jiaxinrui Taxation Agency Co., Ltd. (Shenzhen)*); and since November 2016, Mr. Diao has been working as the chairman of 立信德豪税務師事務所(深圳)有限公司 (Lixin Certified Tax Agents (Shenzhen) Co., Ltd.).

Mr. Diao is currently an executive director of the 4th board of the Shenzhen Certified Tax Agents Association and the head member of its Professional Technical Committee* (專業技術委員會). Mr. Diao was an independent non-executive director of 河南易成新能源股份有限公司 (Henan Yicheng New Energy Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 300080) from August 2017 to November 2019.

Mr. Diao obtained a bachelor of accounting degree in Changchun University (長春財經大學) (formerly known as Changchun Taxation College (長春税務學院)) in the PRC in 1998, and was qualified as a certified accountant in the PRC in 2003 and as a certified tax adviser in the PRC in 2009.

* *For identification purposes only*

The directors of Kaisa Capital Investment Holdings Limited (the "**Company**" and the "**Director(s)**, respectively") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Year**" or "**FY2021**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year were (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery; and (ii) property development. Details of the principal activities of the subsidiaries are set out in note 36 to the Consolidated Financial Statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, the principal risks and uncertainties that the Group may be facing, and a discussion on the Group's future development are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 9 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Five-Year Financial Summary on pages 167 and 168 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this report, as far as the board of Directors (the "**Board**") and management are aware, there was no material breach of or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. Employees are provided with a fair and safe workplace where they can maintain a healthy work-life balance, remunerated equitably and competitively, and provided with continuing training and development opportunities to equip them to deliver their best performance and achieve corporate goals. The Group has devoted effort to build up customers' trust on its services and products by listening to their views and opinions, and maintaining high product quality. The Group has maintained good working relationships with suppliers to meet customers' needs in an effective and efficient manner.

During the Year, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 34 to 61 of this annual report.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2021 are set out in the Consolidated Financial Statements on pages 69 to 166 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the Year (2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 18 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 32 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro rata basis to the existing shareholders of the Company (the "**Shareholders**").

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the FY2021, the Company did not redeem any of its own listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 33 to the Consolidated Financial Statements and the consolidated statement of changes in equity on page 73 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have a reserve available for distribution. Under the Companies Law of the Cayman Islands, the share premium account of the Company amounting to approximately HK$346.8 million as at 31 December 2021, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 36.8% with the largest customer accounted for approximately 12.5%; the purchase attributable to the Group's five largest suppliers was approximately 44.7% with the largest supplier accounted for approximately 16.3%.

Neither the Directors, any of their close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**Listing Rules**", respectively)), nor any Shareholders (which/who to the best knowledge of the Directors owned more than 5% of the number of the Company's issued shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Kwok Ying Shing *(Chairman) (appointed on 16 July 2021)*
Mr. Zhao Yi *(Chief Executive Officer)*
Ms. Lee Kin Ping Gigi *(appointed on 16 July 2021)*
Ms. Kwok Hiu Yan ("**Ms. Kwok HY**") *(appointed on 16 July 2021 and resigned on 3 December 2021)*
Mr. Zhou Puzhang *(appointed on 16 July 2021 and resigned on 28 January 2022)*
Mr. Chen Zefeng *(appointed on 16 July 2021 and resigned on 22 December 2021)*
Mr. Guo Peineng *(Deputy Chairman) (resigned on 16 July 2021)*
Mr. Chen Huajie *(resigned on 16 July 2021)*

Independent non-executive Directors (the "INEDs")

Mr. Xu Xiaowu
Mr. Li Yongjun
Mr. Diao Yingfeng

In accordance with articles 108 and 112 of the Articles, Mr. Kwok Ying Shing, Ms. Lee Kin Ping Gigi, Mr. Zhao Yi and Mr. Diao Yingfeng shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "**AGM**").

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written confirmation from each of its current INEDs in respect of their independence during the Year and up to the date of this report pursuant to Rule 3.13 of the Listing Rules and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Kwok Ying Shing, Mr. Zhao Yi and Ms. Lee Kin Ping Gigi, executive Directors, has entered into a service agreement with the Company for a term of three years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Kwok Ying Shing and Ms. Lee Kin Ping Gigi commenced on 16 July 2021 and the service agreement of Mr. Zhao Yi commenced on 4 November 2021.

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years unless terminated by either party by giving not less than one month's written notice to the other party. The letters of appointment of Mr. Xu Xiaowu and Mr. Li Yongjun commenced on 4 November 2021 and the letter of appointment of Mr. Diao Yingfeng commenced on 6 December 2021.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration packages of the Directors are subject to Shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board by reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 17 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in relation thereto.

During the Year and up to the date of this report, the Company maintained liability insurance for the Directors and senior management to protect them from any loss to which they might be liable arising from their actual or alleged misconduct. A permitted indemnity provision as defined in the Companies Ordinance, Chapter 622 of the Laws of Hong Kong was in force for indemnity liabilities incurred by the Directors to a third party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors nor any of their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group, to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party during or at the end of the Year.

CONTRACT OF SIGNIFICANCE

Save as disclosed in note 42(a) to the Consolidated Financial Statements, the Company did not enter into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries during the Year.

MANAGEMENT CONTRACTS

Save as the executive Directors' service agreements disclosed in this report, no other contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) to be kept by the Company under section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons (other than the Directors and the chief executives of the Company) or corporations in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares interested/held	Approximate percentage of the Company's issued Shares *(Note 1)*
Substantial Shareholders:			
Mighty Empire Group Limited ("**Mighty Empire**")	Beneficial owner and a concert party to an agreement	600,020,000 *(Note 4)*	56.60%
Kaisa Group Holdings Limited ("**Kaisa Group**")	Interest of a controlled corporation	600,020,000 *(Notes 2 and 4)*	56.60%
Excel Range Investments Limited ("**Excel Range**")	Beneficial owner and a concert party to an agreement	600,020,000 *(Note 4)*	56.60%
Ms. Kwok Hiu Ting ("**Ms. Kwok HT**")	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Ms. Kwok HY	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Ms. Kwok Ho Lai ("**Ms. Kwok HL**")	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Other Person:			
Mr. He Xiao Yang	Beneficial owner	100,000,000	9.43%

Notes:

1. The percentage represents the total number of the Shares interested divided by the number of issued Shares of 1,060,000,000 as at 31 December 2021.

2. 324,420,000 Shares, representing approximately 30.60% of the issued share capital of the Company, were held by Mighty Empire which is wholly and beneficially owned by Kaisa Group. Therefore, Kaisa Group is deemed to be interested in the same parcel of Shares held by Mighty Empire under the SFO.

3. Excel Range held 275,600,000 Shares, representing approximately 26.00% of the issued share capital of the Company, which is owned as to one-third by Ms. Kwok HT, Ms. Kwok HY and Ms. Kwok HL. Under the SFO, Ms. Kwok HT, Ms. Kwok HY and Ms. Kwok HL is each deemed to be interested in the Shares held by Excel Range.

4. Excel Range entered into a deed of undertaking on 28 April 2021 (the "**Acting in Concert Undertaking**") in favour of Mighty Empire, pursuant to which Excel Range irrevocably and unconditionally undertook to Mighty Empire, among other things, that it will act in concert with Mighty Empire with respect to the Company. The Acting in Concert Undertaking took effect on 29 April 2021. By virtue of the SFO, Mighty Empire, Kaisa Group, Excel Range, Ms. Kwok HT, Ms. Kwok HY and Ms. Kwok HL were deemed to be interested in the respective Shares held by Mighty Empire and Excel Range, which were 600,020,000 Shares in aggregate, representing approximately 56.6% of the total number of Shares in issue.

Save as disclosed above, as at 31 December 2021, there were no other persons (other than a Director or the chief executives of the Company) who or corporations which had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of the shares or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at 31 December 2021 or at any time during the year ended that date.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company adopted a new share option scheme (the "**Share Option Scheme**") to replace the old share option scheme adopted on 25 June 2010 (the "**Old Scheme**") for the purpose of providing an incentive and/or a reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full-time or part-time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub- tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the Company's circular dated 13 July 2015.

The principal terms of the Share Option Scheme are as follows:

(i) The total number of Shares which may be allotted and issued upon exercise in full of the options to be granted under the Share Option Scheme (the "**Share Option(s)**") and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the adoption date (i.e. 30 July 2015), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) No Share Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue with the substantial shareholders of the Company (as defined in the Listing Rules), the INEDs and their respective associates (as defined in the Listing Rules) being subject to 0.1% of the number of Shares in issue and a total value of HK$5 million of the Shares.

(iii) A Share Option may be accepted by an eligible participant not later than 21 days from the date of grant. Upon acceptance of the Share Option, a consideration of HK$10.00 shall be paid by the grantee to the Company.

(iv) A Share Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board, which shall not be later than 10 years from the date of grant but subject to the provisions for early termination as contained in the Share Option Scheme. There is no specified minimum period for which a Share Option must be held or the performance target which must be achieved before a Share Option can be exercised.

(v) The subscription price shall be determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (as defined in the Listing Rules); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(vi) The Share Option Scheme remains valid for a period of 10 years commencing on 30 July 2015.

As at 31 December 2021 and the date of this report, no Share Option was outstanding under the Old Scheme.

No Share Option has been granted under the Share Option Scheme since its adoption and therefore, as at 31 December 2021 and the date of this report, no Share Option was outstanding under the Share Option Scheme and no Share Option was exercised and cancelled or lapsed during the Year.

The total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing 7.55% of the issued Shares as at the date of this report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the number of the issued Share were held by members of the public during the Year and as at the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

Full details of the Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 21 to 33 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 45 to the Consolidated Financial Statements, the Group did not have any other material subsequent event after the reporting period and up to the date of this annual report.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Grant Thornton. The Board has taken the recommendation of its audit committee that a resolution will be proposed at the forthcoming AGM to re-appoint Grant Thornton as the Company's independent auditor (the "**Independent Auditor**") until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

CHANGE OF THE INDEPENDENT AUDITOR FOR THE PAST THREE YEARS

The Company has appointed BDO Limited ("**BDO**") as the Independent Auditor since 2010. BDO resigned as the Independent Auditor with effect from 23 December 2019 and the Company currently appoints Grant Thornton as the Independent Auditor.

BY ORDER OF THE BOARD

Kwok Ying Shing
Chairman

Hong Kong, 29 March 2022

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

During the year ended 31 December 2021 (the "**Year**"), the Company complied with the applicable code provisions of the Corporate Governance Code (as in force as at 31 December 2021) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**", the "**Listing Rules**" and the "**CG Code**", respectively).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

THE BOARD OF DIRECTORS

The Board

The board of directors of the Company (the "**Directors**" and the "**Board**") takes full responsibility for supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management and all other functions reserved to the Board under the Company's articles of association (the "**Articles**"), while the management is responsible for the daily management and operations of the Company and its subsidiaries (the "**Group**"). The Board may from time to time delegate certain functions to management if and when considered appropriate.

The Directors have full access to information of the Group and management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive

The CG Code provision stipulates that the roles of chairman and chief executive officer (the "**CEO**") should be separate and should not be performed by the same person. Mr. Kwok Ying Shing has since 16 July 2021 been appointed as the chairman of the Board (the "**Chairman**") whereas Mr. Guo Peineng resigned as the deputy Chairman and an executive Director on that date and Mr. Zhao Yi has assumed the role of the CEO since 4 November 2019. The Chairman is and the deputy Chairman was responsible for overseeing the functioning of the Board and in charge of overall affairs of the Group while the CEO is responsible for managing operation planning of the Group's businesses.

Board Composition

Currently, the Board comprises six members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sectors.

The Directors who served the Board during the Year and up to the date of this report are named as follows:

Executive Directors
Mr. Kwok Ying Shing *(Chairman) (appointed on 16 July 2021)*
Mr. Zhao Yi *(Chief Executive Officer)*
Ms. Lee Kin Ping Gigi *(appointed on 16 July 2021)*
Ms. Kwok Hiu Yan *(appointed on 16 July 2021 and resigned on 3 December 2021)*
Mr. Zhou Puzhang *(appointed on 16 July 2021 and resigned on 28 January 2022)*
Mr. Chen Zefeng *(appointed on 16 July 2021 and resigned on 22 December 2021)*
Mr. Guo Peineng *(Deputy Chairman) (resigned on 16 July 2021)*
Mr. Chen Huajie *(resigned on 16 July 2021)*

Independent non-executive Directors (the "INEDs")
Mr. Xu Xiaowu
Mr. Li Yongjun
Mr. Diao Yingfeng

There is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Biographical Details of Directors" on pages 10 to 12 of this annual report. The updated list of Directors comprising the Executive Directors and the INEDs, and their role and function were published on the respective websites of the Stock Exchange and the Company.

The Chairman, being an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

In compliance with code provision A.1.8 of the CG Code, the Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy or as an additional member of the Board. The Company has set up a Nomination Committee for formulating a nomination policy for consideration of the Board and making recommendations to the Board on the selection, appointment and re-appointment of Directors. In accordance with the Articles, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the AGM.

The term of office of all Directors is three years, subject to retirement by rotation, whichever is the earlier. Each of the Directors is appointed by a service contract or a letter of appointment setting out the key terms and conditions of his appointment.

Directors' Training and Professional Development

During the Year, the Company had provided materials for the Directors and senior executives to develop and refresh the Directors' knowledge and skills with an emphasis on the roles, functions and duties of a director of a listed company in compliance with code provision A.6.5 of the CG Code. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials.

During the Year, the Directors participated in the following training as per their records provided to the Company:

Directors	**Types of training**
Executive Directors	
Mr. Kwok Ying Shing *(appointed on 16 July 2021)*	B, C
Mr. Zhao Yi	B, C
Ms. Lee Kin Ping Gigi *(appointed on 16 July 2021)*	B, C
Ms. Kwok Hiu Yan *(appointed on 16 July 2021 and resigned on 3 December 2021)*	B, C
Mr. Zhou Puzhang *(appointed on 16 July 2021 and resigned on 28 January 2022)*	B, C
Mr. Chen Zefeng *(appointed on 16 July 2021 and resigned on 22 December 2021)*	B, C
Mr. Guo Peineng *(resigned on 16 July 2021)*	B, C
Mr. Chen Huajie *(resigned on 16 July 2021)*	B, C
INEDs	
Mr. Xu Xiaowu	A, B, C
Mr. Li Yongjun	B, C
Mr. Diao Yingfeng	B, C

A: giving professional talks at seminars and/or conferences and/or forums

B: attending training/seminars/webinars/in-house briefings arranged by the Company or external professional parties

C: reading material relevant to the Company's business, regulatory updates, corporate governance issues, directors' duties and responsibilities, etc.

INEDs

The Company has entered into a letter of appointment with each of the existing INEDs for a term of three years, which can be terminated by either party by giving not less than one month's written notice to the other party. The letter of appointment of Mr. Xu Xiaowu and Mr. Li Yongjun commenced on 4 November 2021 while that of Mr. Diao Yingfeng commenced on 6 December 2021.

Each of the INEDs has confirmed in writing that he or she had complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all INEDs are independent under these independence requirements.

BOARD COMMITTEES

The Board has established three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"), for overseeing particular aspects of the Board and the Company's affairs. The Board has delegated to the Board Committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

Currently, the members of the Audit Committee comprises three INEDs, namely Mr. Xu Xiaowu (chairman of the Audit Committee), Mr. Li Yongjun and Mr. Diao Yingfeng.

The Audit Committee is primarily responsible for (i) reviewing the financial statements and reports and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process; (iii) making recommendation to the Board on the appointment, reappointment and removal of external auditor; (iv) reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system.

During the Year, two meetings of the Audit Committee were held to review (i) the Group's annual audited financial statements with the independent auditor for the year ended 31 December 2020; (ii) the unaudited interim financial statements for the six months ended 30 June 2021, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval; (iii) the changes in accounting standards and assessed their potential impacts on the Group's financial statements; and (iv) the Company's financial reporting system, internal control system and risk management system and related matters.

The Audit Committee has reviewed with the management of the Company and the independent auditor the annual results of the Group for the Year including the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control and financial reporting matters.

Remuneration Committee

Currently, the Remuneration Committee is chaired by Mr. Li Yongjun, an INED, and other members are Mr. Kwok Yin Shing, an executive Director, and Mr. Diao Yingfeng, an INED.

The Remuneration Committee is primarily responsible for (i) making recommendations to the Board on the Company's policy and structuring for all remuneration of the Directors and senior management and establishing the formal and transparent procedures for developing such remuneration; (ii) determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group; and (iii) reviewing and approve remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Details of remuneration for each Director and emoluments for senior management are set out in note 17 to the consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**").

During the Year, a meeting of the Remuneration Committee was held and a written resolutions was circulated regarding the review of (i) the remuneration package of the Directors and the CEO; (ii) the terms of reference of the Remuneration Committee and its effectiveness; (iii) a remuneration policy; and (iv) the draft services agreements for the newly appointed executive Directors.

Nomination Committee

Currently, the Nomination Committee is chaired by Mr. Kwok Ying Shing, an executive Director and the Chairman and other members are Mr. Xu Xiaowu and Mr. Li Yongjun, both being INEDs.

The Nomination Committee is primary responsible for (i) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board annually and making recommendations to the Board with regard to any changes; (ii) reviewing the policy on Board diversity (the "**Board Diversity Policy**") and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review and monitor the progress on achieving these objectives; (iii) developing and reviewing the policy for the nomination of Directors (the "**Nomination Policy**"); (iv) identifying and nominating qualified individuals for appointment as additional Directors or to fill vacancies of the Board as and when they arise; (v) making recommendations to the Board on appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors, in particular the Chairman and the CEO; and (vi) assessing the independence of the INEDs. Full terms of reference are available on the respective websites of the Stock Exchange and the Company.

During the Year, a meeting of the Nomination Committee was held and a written resolutions was circulated to review the structure, size and composition of the Board; to recommend to the Board the re-election of the retiring Directors; to review the terms of reference of the Nomination Committee and its effectiveness; to assess the independence of the INEDs; to recommend to the Board the appointment of Directors and to review the Nomination Policy and the Board Diversity Policy and the measurable objectives for implementing such policy.

Board Diversity Policy

The Board has adopted the Board Diversity Policy and measurable objectives which are set for the purpose of implementing the policy with effect from 30 August 2013.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking diversity into account (including gender diversity).

Measurable Objectives

The measurable objectives for the purpose of implementation of the Board Diversity Policy, including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Board Diversity Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation of the policy.

Nomination Policy

The Nomination Committee has adopted the Nomination Policy with effect from 24 December 2018.

The Nomination Policy aims to set out the nomination procedures and the process and criteria to guide the Nomination Committee to select and recommend candidates for directorship.

In assessing the suitability of a proposed candidate, the following criteria (the "**Nomination Criteria**") would be used as reference by the Nomination Committee, including but not limited to:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's businesses and corporate strategy;

(c) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(d) Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates would be considered independent by reference to the independence guidelines set out in the Listing Rules;

(e) Board Diversity Policy and any measurable objectives adopted by the Board for achieving diversity on the Board; and

(f) Such other perspectives appropriate to the Company's businesses.

For appointment of a new Director, the Nomination Committee shall evaluate the proposed candidate based on the Nomination Criteria, and make recommendations for the Board's consideration and approval. For re-election of Director at a general meeting of the Company, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Director and also review and determine whether he/she continues to meet the Nomination Criteria. The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board has reviewed the Company's (i) corporate governance policies and practices, training and continuous professional development of Directors and senior management; (ii) policies and practices on compliance with legal and regulatory requirements; and (iii) compliance with the Model Code, the CG Code and disclosures in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The Company's company Secretary (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Year, the Board held 5 Board meetings and the Directors attended the same in person or participated therein through electronic means of communication.

The attendance record of each Director at the Board meetings, the Board Committees', meetings and the Company's annual general meeting (the "**AGM**") and extraordinary general meeting (the "**EGM**") held during the Year is set out below:

Directors	**Board Meeting Attended/ Eligible to attend**	**Nomination Committee Meeting Attended/ Eligible to attend**	**Remuneration Committee Meeting Attended/ Eligible to attend**	**Audit Committee Meeting Attended/ Eligible to attend**	**2021 AGM/EGM Attended/ Eligible to attend**
Executive Directors					
Mr. Kwok Ying Shing *(appointed on 16 July 2021)*	3/3	–	–	–	–
Mr. Zhao Yi	5/5	–	1/1	–	2/2
Ms. Lee Kin Ping Gigi *(appointed on 16 July 2021)*	3/3	–	–	–	–
Ms. Kwok Hiu Yan *(appointed on 16 July 2021 and resigned on 3 December 2021)*	2/2	–	–	–	–
Mr. Zhou Puzhang *(appointed on 16 July 2021 and resigned on 28 January 2022)*	3/3	–	–	–	–
Mr. Chen Zefeng *(appointed on 16 July 2021 and resigned on 22 December 2021)*	3/3	–	–	–	–
Mr. Guo Peineng *(resigned on 16 July 2021)*	2/2	1/1	–	–	2/2
Mr. Chen Huajie *(resigned on 16 July 2021)*	2/2	–	–	–	2/2
INEDs					
Mr. Xu Xiaowu	5/5	1/1	–	2/2	2/2
Mr. Li Yongjun	5/5	1/1	1/1	2/2	2/2
Mr. Diao Yingfeng	5/5	–	1/1	2/2	2/2

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 17 to the Consolidated Financial Statement. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) by band is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	2

INDEPENDENT AUDITOR'S REMUNERATION

For the Year, the total fee paid/payable to the independent auditor of the Company in respect of audit and non-audit services is set as below:

	HK$'000
Audit services	930
Non-audit services, in respect of interim review and other services	520

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, Grant Thornton, about their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 62 to 68 of this annual report.

COMPANY SECRETARY

Ms. Poon Yuk Ching Ada ("**Ms. Poon**") has been appointed as the Company Secretary since 16 October 2019. All Directors have access to the advice and services of Ms. Poon who is responsible for ensuring that the correct Board procedures are followed and the Board is advised on all corporate governance matters. Ms. Poon has confirmed that during the Year, she had undertaken over 15 hours of professional training to update her skills and knowledge pursuant to rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board has confirmed that it will continue to monitor the system and ensure that the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries, covering all material controls, including financial, operational and compliance monitoring, at least once a year under the leadership of the Audit Committee.

A. Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the Year, the Company adopted an Enterprise Risk Management — Integrated Framework (2004) issued by the Committee of Sponsoring Organizations of The Treadway Commission (the "**COSO ERM**") to perform the risk assessment (the "**Review**") on the Group for the Year. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group were identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Company conducted the following procedures:

– follow-up review on previous findings on risks;

– interviewing with management and relevant staff to identify the risks over the Group's business operations and governance practice;

– quantifying the risks by financial data and market searches;

– identifying current issues and potential risks in the Group's business operations and governance practice for improvement; and

– prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

B. Group Risk Report

In the Year, the Company conducted an annual Group-wide review based on the COSO ERM to assess the risks relevant to the existing businesses of the Group and prepared the Group Risk Report which was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Dissemination of Inside Information

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the Year. Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**") and the Listing Rules. The first principle is that the information should be promptly published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the SFO;

- In dealing with the matters, the Company adheres to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in Hong Kong in June 2012;

- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system; and

- Employees or Directors possessing such inside information should report the same to the Executive Director(s), who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

D. Internal Audit Function

During the Year, the Company engaged an external independent consultant as an internal control advisor ("**IC Advisor**") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management, which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the Year. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

The Board and the Audit Committee have confirmed that they had reviewed the effectiveness of the risk management and internal control systems of the Group during the Year and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the code provisions of the CG Code but also promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the shareholders of the Company (the "**Shareholders**") to promote and improve the transparency are also welcome.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at https://kaisa-capital.com. The Directors and members of various Board Committees will attend general meetings of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the respective websites of the Stock Exchange and the Company in the manner as required by the Listing Rules.

DIVIDEND POLICY

The Company attaches importance to providing reasonable returns for the Shareholders. The dividend policy of the Company maintains continuity and stability and takes into consideration the long-term interests of the Company, the overall interests of all Shareholders and the sustainable development of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, amongst others, the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles.

According to the Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend shall be payable except out of the profits of the Company.

SHAREHOLDERS' RIGHTS

Procedures for convening an Extraordinary General Meeting by the Shareholders

Pursuant to the article 64 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to info@kaisa-capital.com.

Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices of general meetings are duly circulated to the Shareholders in order to ensure that each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a prompt manner.

Procedures for making proposals at the Shareholders' meetings

To put forward proposals at the AGM or an EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified by the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at the AGM or an EGM varies according to the nature of the proposal, as follows:

- At least 14 days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company

- At least 21 days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes a special resolution of the Company in an EGM or an ordinary resolution of the Company in the AGM

Procedures for the Shareholders to propose candidates for election as a Director

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting of the Company (the "**General Meeting**"), unless notice in writing by Shareholder(s) of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected including that person's biographical details as required by rule 13.51(2) of the Listing Rules, shall have been lodged at the Company Secretary at the Company's principal place of business in Hong Kong at least 7 days before the date of the General Meeting. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the General Meeting appointed for such election and end no later than 7 days prior to the date of such General Meeting.

Investors Communication Policy

To promote effective communication, the Company maintains a website at https://kaisa-capital.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	(852) 3678-8589
By post	:	Unit 3610, 36/F., The Center, 99 Queen's Road Central, Central, Hong Kong for the attention of the Board of Directors
By email	:	info@kaisa-capital.com

Constitutional Documents

During the Year, the Company has not made any changes to its memorandum and the Articles, which are available on the respective websites of the Stock Exchange and the Company.

INTRODUCTION

Kaisa Capital Investment Holding Limited (the "Company", together with its subsidiaries, the "**Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). This ESG Report complied with the "comply or explain" provisions of the ESG Reporting Guide, illustrated and highlighted the environmental and social performance of the Group for the reporting period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), which aligns with the financial year as the 2021 annual report of the Group.

The core businesses of the Group are (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, and providing repair and maintenance services in respect of the construction machinery and (ii) property development.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. It is inevitable that the ESG performance of corporations is one of the key criteria to demonstrate companies' corporate social responsibility and their sustainability in the future. The Group has been unswervingly focusing on its ESG management which aiming to control the risks and tackle the challenges concerning corporate sustainable development. By assessing and evaluating ESG related risks and reporting performance, the Group sets the overall strategic goals, supervises management effectiveness, and ensures operational reliance and compliance with the relevant legal and regulatory requirements. Both qualitative information and quantitative data have been collected for this ESG report (the "**Report**") to demonstrate the Group's commitment to sustainability and performance.

All information used in this ESG Report are not limited to the internal policies from the Group, the factual evidence of the ESG implementation in the Group, the quantitative data of the Group's annual performance in business operations and ESG management under the key performance indicators ("**KPIs**") of the ESG Reporting Guide were gathered through different ways. In order to ensure the completeness and clarity of the ESG Report, the Group referenced the ESG Consultation Conclusions, ESG Disclosure Review, and Global Reporting Initiative Standards ("**GRI Standards**"), a globally-accepted reporting instrument to cater to its local and global readership.

SCOPE OF REPORT

This ESG Report covers the work results of the Group at all levels during the Reporting Period, selecting the major operations within the Group according to the operational control approach, i.e. the business of the trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, and providing repair and maintenance services in respect of the construction machinery in Hong Kong, Singapore and the People's Republic of China (the "**PRC**"). New business opportunities were being continuously developed by the Group, such as the business of property development in Hong Kong that can contribute long-term satisfying returns to the shareholders of the Group. Other potential business activities other than the above-mentioned core businesses are not covered in this ESG Report.

MESSAGES FROM THE BOARD

With the continuous spread of the coronavirus disease ("**COVID-19**"), there is a significant impact on people and economies around the world. Many ongoing projects and businesses especially in Hong Kong and Singapore were delayed and suspended. Due to the new variant of the COVID-19, the outbreak had nevertheless affected the infrastructure construction, such as stoppage and delay in work resumption and strict traffic controls. More emphasis had been placed by the management to monitor and protect the health and safety of our employees.

The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and sustainability reporting matters. Although the Group is facing a challenging environment, the Board considers it is imperative that sustainability forms the backbone of the business to achieve corporate growth. Hence, the Group is dedicated to incorporating the concept of sustainability into every facet of its business, by upholding a well-rounded governance system, establishing strategic directions and hold regular internal and external events to communicate closely with stakeholders. To make sure that the Board can be well-informed of the progress of ESG achievement, the execution of business plans and the obstacles frontline employees faced in the implementation, the management has been entrusted by the Board to coordinate daily ESG issues between different business divisions of the Group.

We are not a Group that only lavishes praise on the passion to embrace sustainable development, but a team of passionate individuals and organisations who are committed to continuing this tradition by setting ambitious targets and putting efforts to achieve them. Our target remains the same as the previous years to reduce the overall water consumption and paper consumption by 5% in a five-year interval. The external environment of businesses continues to shift in these years, which encourages us to adopt a changing approach that not only focuses on our own dimension, but also commits to respecting our environment and maintaining our social responsibilities to the community.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ANALYSIS

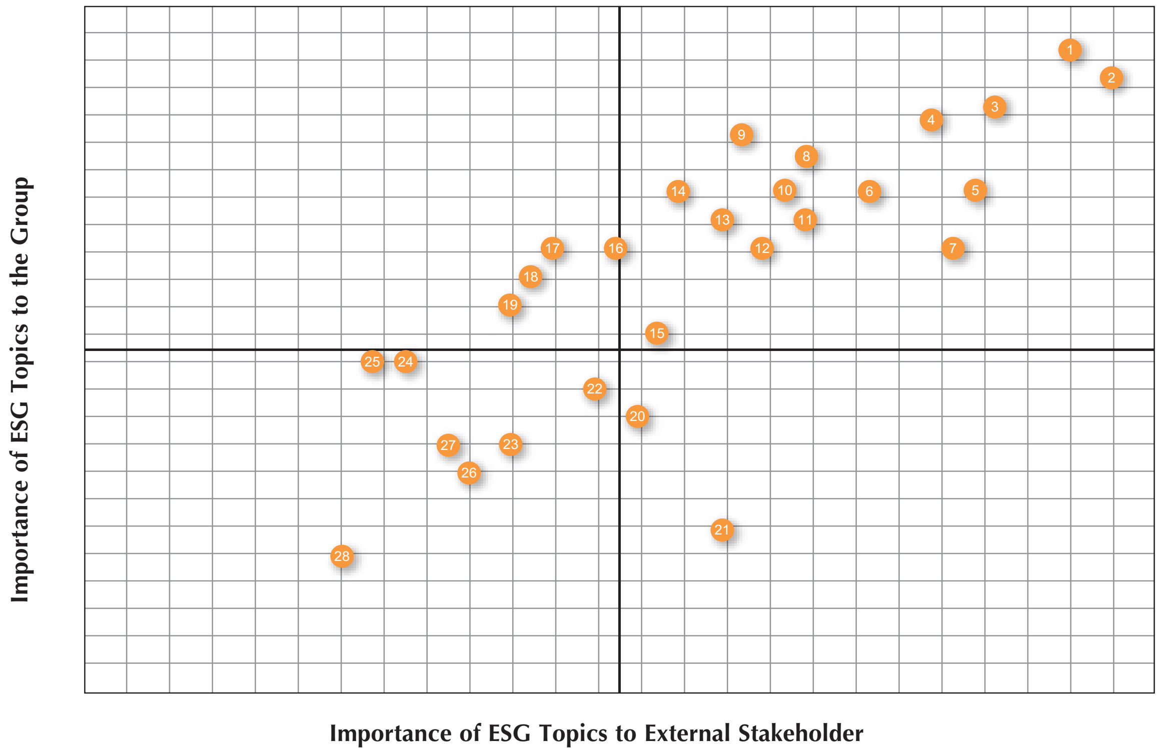
Creating value for our stakeholders has always been the core mission of our Group. The Group pays attention to the perspectives and expectations of our stakeholders in order to help us to assess potential impacts of future business activities. The Group strives to maintain open and smooth communication channels for both internal and external stakeholders. Through the communications, the Group can understand the concerns of stakeholders and also can integrate such expectations through our ESG practices, with the ultimate purpose of maximising the greater economic output and business value while aligning with the Group's long-term sustainable development goals.

Feedbacks from our stakeholders were highly valued and variety of channels are listed below for various major concerns from our stakeholders:

Major Stakeholder Engaged		Major Communication Channels	Major Concerns
Internal stakeholders	Shareholders and investors	• Regular reports • Announcements, press release and circulars • Annual general meetings • Corporate website • Investor briefings	• Return on investments • Profitability and financial stability • Information disclosure and transparency • Corporate governance • Business compliance • Risk management
	Employees	• Performance appraisals • Regular meetings and training • Focus groups • Emails, notices, circulars, hotline and team building activities with management • Employee activities	• Employees' remuneration and benefits • Health and safety working environment • Career development and training opportunities • Compensation and benefits
External stakeholders	Customers	• Customers' satisfaction surveys • Face-to-face meetings and onsite visits • Customer service hotline and emails	• Quality products and services • Protection of customers' privacy and rights • Continuous promotion of reliable products/services to customers • Customer satisfaction
	Suppliers	• Open tender • Contracts and agreements • Telephone discussions • Face-to-face meetings and onsite visits • Industry seminars	• Fair and open procurement • Win-win cooperation • Environmental protection • Protection of intellectual property
	Professional organisations	• Telephone discussion • Regular meetings and onsite visits • Questionnaires and online engagement	• Policy formulation regulating the practice of employees and business operations • Environmental protection and social responsibility
	General public	• Media conferences and responses to enquiries • Public welfare activities • Corporate website • Email	• Involvement in communities • Business ethics • Setting out targets and formulating policies in energy conservation and emission control • Corporate social responsibilities
	Government and regulatory authorities	• Supervision on the compliance with local laws and regulations • Routine reports and tax payments	• Compliance with laws and regulations • Anti-corruption policies • Occupational health and safety • Environmental standards

The Group undertook an annual review by engaging its stakeholders in a materiality assessment survey in 2021 in order to identify their main concerns and material interest of ESG issues. The Group chose its stakeholders against a series of criteria and a group of internal and external stakeholders were identified, prioritised and selected based on their influence and dependence on the Group. An electronic survey was completed by those chosen stakeholders to comment a list of ESG issues. The survey is focused on identifying stakeholders' perspective on the Group's ESG, also known as corporate social responsibility (CSR) performance and perform materiality assessment for the Group. The Group developed its action plans by using the outcome of the survey which acts as a powerful tool in order to plan the ESG management more effectively. The chart below briefly shows the results of the assessment:

Materiality Assessment Matrix



Item	ESG Topic	Item	ESG Topic
1.	Occupational health and safety	15.	Observing and protecting intellectual property rights
2.	Product health and safety	16.	Selection and monitoring of suppliers
3.	Customer information and privacy	17.	Mitigation measures to protect environment and natural resources
4.	Preventing child and forced labour	18.	Product and service labelling
5.	Customer satisfaction	19.	Marketing communications (e.g. advertisement)
6.	Diversity and equal opportunity of employees	20.	Community support (e.g. donation, volunteering)
7.	Greenhouse gas emissions	21.	Air emissions
8.	Anti-corruption policies and whistle-blowing procedure	22.	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers
9.	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)	23.	Water use
10.	Anti-corruption training provided to directors and staff	24.	Hazardous waste production
11.	Environmentally preferable products and services	25.	Non-hazardous waste production
12.	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	26.	Climate change
13.	Cultivation of local employment	27.	Energy use (e.g. electricity, gas, fuel)
14.	Employee development and training	28.	Use of materials (e.g. paper, packaging, raw materials)

According to the materiality matrix, the issues located at the top right corner are the relatively more important ESG areas. Through the materiality analysis, the Group identified 'Occupational health and safety', 'Product health and safety', and 'Customer information and privacy' as issues of high importance. Given the high degree of concerns on the material issues mentioned above, the Group has carefully priced the risks and opportunities behind those matters and elaborated in detail under different sections of this ESG Report.

STAKEHOLDERS' FEEDBACK

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment. You are welcomed to provide your suggestions or share your views with the Group through any channel below:

Email: info@kaisa-capital.com
Website: https://kaisa-capital.com
Address: No. 3610, 36/F., the Center, 99 Queen's Road Central, Central, Hong Kong
Tel: (852) 3678 8589

The following sections provide more information and disclosure about the Group's practices in the areas of the environmental aspects and social aspects, including emissions, use of resources, natural resources, employment and labour practices, good operating practices and our contribution to the community.

A. ENVIRONMENTAL ASPECTS

With the increasing problem of environment degradation and climate change around the globe, the Group pays close attention to the environmental responsibilities and has incorporated sustainable environmental protection measures as part of the business development strategy. The Group is aware of the importance of balancing between environmental protection and economic development, thus, a set of management policies, mechanisms, measures and guidance on environmental protection are established in order to archive sustainability goals on the Group's development and business operation. To maintain sustainability of the environment and the community where it operates, the Group is currently spending efforts in monitoring and dominating resources consumption and emission. Apart from in-house controlling activities, the Group has adhered to various material compliance environmental laws and regulations in Hong Kong, Singapore and the PRC during its daily operations, including but not limited to the:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法); and
- Law of the People's Republic of China on Conserving Energy (中華人民共和國節約能源法).

The Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources are primarily disclosed in the Reporting Period. No fines and or non-monetary sanctions for non-compliance with relevant laws and regulations has been reported in the reporting period.

A.1. Emissions

In 2021, The Group's environmental rules and practice establishes commitments to operate beyond statutory requirements and to raise awareness of the green issues. The Group has strictly followed the relevant laws and regulations regarding to the environmental issues, such as air and greenhouse gas emissions, discharges into water and land, disposal of hazardous and non-hazardous wastes, and noise that bring significant influence on the Group. In furtherance of curtailing its drawback on environmental impact, the Group keeps pursuing innovative solutions by utilising its equipment with low-carbon and green technologies, implementing control mechanism on emissions as well as setting relevant approach and robust environmental system to address emissions. Moreover, the Group has also dedicated to apply internal procedures in environmental protections and raise employees' conscious on emissions reduction.

According to Group's business nature, the environmental impacts of the Group facilities and offices are limited to the air emissions which mainly generated from fuel combustion for daily transportation as diesel oil and petrol are used to run vehicles, including the generation of sulphur oxides ("**SOX**"), nitrogen oxides ("**NOX**") and particulate matter ("**PM**"). In 2021, the air emissions of SOX, NOX and PM amounted to 0.55kg, 230.4kg and 22.0kg, respectively. Such data resulting the fall of 85% and an increase of 69% and 69% comparing to the air emission generated in 2020. It is still widely known that climate change, a major environmental issue driven by greenhouse gas emissions that is not only a global agenda but also highly affecting individuals and society from personal health, economy and ecosystems. The core business of the Group does not mainly generate greenhouse gases and air emission. Emissions are usually produced by fuels and petrol consumed for office and workplace use for transportation and electricity. Specifically, the Group emitted a total of 257.8 tonnes of carbon dioxide equivalent ("**CO_2e**") (carbon intensity: 2.2 tonnes CO_2e/employee) in 2021, with emissions from Scope 1 accounting for 39.8% approximately, whereas 58.2% came from Scope 2. Other indirect emissions (Scope 3) occupied around 5.1 tonnes of CO_2e. In terms of the total emission of CO_2e, it results a drop of 2% comparing to the carbon emission produced in 2020. The large percentage difference is primarily associated with the reduce of 16% and 23% from Scope 2 emission and Scope 3 emission respectively.

Moreover, GHG emissions from electricity consumption in processing sewage and fresh water by governmental departments were calculated together with the disposed paper waste of at landfills. The Group does not produce any hazardous waste such as, chemical, pesticides and other dicey chemicals. From the principal activities held by the Group, non- hazardous waste generated from the Group's business operation is generally the administrative consumables from construction sites and office in which does not bring a long vital impact to the environment. In 2021, no hazardous solid waste or sewage was produced by the Group. The total emissions of the Group in 2021 and 2020 are summarised in Table 1 below.

Table 1 The Group's Total Emissions by Category in 2021 and 2020

Emission Category	Key Performance Indicator ("KPI")	Unit	2021 Amount	2021 Intensity[1] (Per Employee	2020 Amount	2020 Intensity[1] (Per Employee	Amount Increase (+) or Decrease (–) in Percentage
Air Emissions[2]	SO_x	Kg	0.55	0.005	3.6	0.03	–85%
	NO_x	Kg	230.4	2.0	136.6	1.3	+69%
	PM	Kg	22.0	0.2	13.0	0.1	+69%
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	102.6	0.9	77.4	0.7	+33%
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	150.1	1.3	179.5	1.7	–16%
	Scope 3 (Other Indirect Emissions)[3]	Tonnes CO_2e	5.1	0.04	6.6	0.1	–23%
	Total (Scope 1, 2 & 3)	Tonnes CO_2e	257.8	2.2	263.5	2.4	–2%
Non-hazardous Waste	Solid Wastes	Tonnes	60.9	0.5	36.4	0.3	+67%
	Waste water	m^3	4720.8	40.0	4342.4	40.2	+9%

1: *Intensity was calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in 2021 and 2020, which was 118 and 108 respectively;*

2: *Air emissions included the air pollutants in the exhaust gas from vehicles for transportation and off-road machineries for onsite operations;*

3: *The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills and electricity used for processing fresh water and sewage by government departments;*

4: *The methodology adopted for reporting on GHG emissions set out above was based on the latest "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.*

GHG is contemplated as one of the major contributions to climate change and global warming. Non-hazardous solid waste, electricity consumption, wastewater generated from office among different business operation places of the Group, such as Hong Kong, Singapore and the PRC were accounted for the majority component of the Group's GHG emissions. Neither hazardous solid waste nor hazardous sewage was generated in the Group's operation activities during the Reporting Period.

The Group has strived to be more proactive in order to lower the damage led by GHG emission through bringing forward effective policies and measures in the construction projects and offices, and motivated all its employees to change their attitude and habits in favour of improving energy efficiency and diminishing the intervals of energy consumptions. Different environmental friendly initiatives were used by the Group to use less energy in daily business operation, for instance, switching off all lights and air-conditioning when leaving the office, time controlling of on/off for office electrical applicants and updating the Group approach in order to mitigate climate-related risks at source. In 2021, there was no significant change in the patterns of GHG emissions, illustrating that electricity consumption was the most common indirect factor of which GHG emissions dominated among the Group. The Group has implemented internal electricity-saving policies in the workplace and specific measures further described in the next subsection under **Electricity**. The solid waste including domestic and construction waste increased by around 67% in 2021 during the Reporting Period. To further control and reduce its solid waste, the Group has tremendously promoted the 'Reduce, Reuse and Recycle' approach with clear guidance among employees in both Hong Kong and Singapore offices with the aims of saving resources and energy. Meanwhile, the Group has concentrated on the following four areas in particular, in order to minimise its waste and raise employees' environmental awareness in both offices and construction sites:

- Transitioning to smart and environmentally-friendly purchasing and design, such as the adoption of more advanced and less wasteful technologies;
- Managing raw materials effectively;
- Considering energy efficiency when purchasing and operating machines; and
- Strengthening the training to workforces.

In 2021, the Group provided training to all levels of staff to raise their attention in reducing the adoption of disposable items such as plastic tableware and paper utensils. The Group sustained the 3Rs principles, referring to Reduce, Reuse and Recycle as abovementioned. For the sake of eliminating the production of solid waste, office stationeries and equipment were highly encouraged to be reused and electronic means of communications were recommended for paper saving initiatives. For the handling method of non-recyclable municipal solid wastes such as paper products, property management worked to collect the disposed waste regularly with proper categorisation. Since metal waste may do harm to the environment without proper handling after being discarded, especially for obsolete metal parts and machinery components which are commonly used in business activities. Hence, the handling method for the mentioned metal waste were either stored at certain places for resale to professional third parties for centralised the objective of recycling or reusing in the next production stage if possible. Furthermore, despite that the municipal wastewater is normally discharged into the sewage system of the property building, the Group commits to control the consumption of freshwater and reuses the treated construction wastewater when possible to effectively reduce the amount of wastewater from offices and site offices. It has also implements energy and water efficiency measures to help promote preservation and conversation of resources, as well as achieving the high water efficiency during operations. Further information regarding water conservation practices in the Group are detailed in the next subsection under **Water**.

A.2. Use of Resources

In 2021, electricity, petrol, diesel, water, paper and plastic as packaging materials were the main resources consumed by the Group. Table 2 illustrates the amount of different resources consumed by the Group in 2021 and 2020.

Table 2 Group's Total Use of Resources by Category in 2021 and 2020

			2021		2020		
Use of Resources	KPI	Unit	Amount in 2021	Intensity[1] (Per Employee) in 2021	Amount in 2020	Intensity[1] (Per Employee) in 2020	Amount Increase (+) or Decrease (–) in Percentage
Energy[2]	Electricity	kWh	339,120	2,873.9	386,545	3,579.1	–12%
	Petrol	kWh	137,102	1,161.9	115,918	1,073.3	+18%
	Diesel	kWh	227,841	1,930.9	166,810	1,544.5	+37%
Water	Water	m^3	4,721	40.0	4,342	40.2	+9%
Paper	Paper	Tonnes	0.45	3.8×10^{-3}	0.41	4.0×10^{-3}	+10%
Packaging Materials[3]	Metal	Kg	1,400	11.9	–	–	N/A
	Plastic	Kg	200	1.7	100	0.9	+100%

1: *Intensity was calculated by dividing the amount of consumed resources by the total workforce of the Group in 2021 and 2020, which was 118 and 108, respectively;*

2: *The methodology adopted for reporting on GHG emissions set out above was based on the latest "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.*

Electricity

Electricity is one of the Group's considerable energy consumption as it has been widely adopted to support daily business operation. In 2021, the total electricity consumption of the Group and the intensity per employee decreased by 12% and 20% respectively as compared to the figure in 2020. The above phenomenon and sparsity of nature resources, the Group draws attention in working on energy saving and promoting various energy conservation strategies. The Group required all business units of the Group, especially the Singapore branch strictly follow relevant regulations and the Group's standards of electricity conservation so to support green initiatives in daily operation and incorporating environmental sustainability. The Group has embedded the concept of 'Saving Electricity' into its environmental management system and business strategies, as well as actively adopted different feasible measure and implementation on technical and economic circumstances to work on the aims of lowering the electricity consumption in which beneficial to diminish its GHG emissions. Chiefly of reducing electricity usage, the Group implemented the following practices:

- Turn off all lights, electronics and other equipment at the end of the day;
- Switch off all idle lights and air conditioners (e.g. most electrical device will be turned off during lunch time);
- Place 'Save electricity and turn off the light when you leave please' posters to encourage workers and employees to conserve energy;
- Replace lamps that consume large amounts of electricity with more efficient LED lighting fixture in the offices;
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the office when possible; and
- Avoid over-cooling of workplace by setting the air-conditioners for indoor temperature of 24 degrees Celsius if possible.

Petrol and diesel

To help support daily business activities, the Group widely consumed petrol and diesel for its vehicles. In2021, the energy consumption of petrol and diesel amounted to 137,102kWh and 227,841kWh respectively. It leads to an increase of 18% and 37% respectively when compared with the figure in 2020. Employees are reminded and encouraged to follow the energy saving measures. The Group will continuously assess the efficiency of resource utilization and evaluate the energy saving initiatives to uphold the core value of environmental protection.

Water

Water is another nature resource which the Group commonly used for daily operation. The Group has worked hard to reduce waste of water in previous years and considered water management an important task in the business operations of the Group currently. In 2021, the Group did not face any issue in sourcing water. The total water consumption was increased by approximately 9% as compared to the figure in 2020. Although there is no any water supply issue encountered, the Group has also shouldered the responsibilities of sustainable development and environmental protection towards the aspect of water resources utilisation. To avoid unnecessary water consumption from daily operation, the Group has fully complied with its policy of water conservation in businesses through instilling the concept of 'Water Footprint' in its employees from all business departments and motivating them to take initiative in nourishing environmental friendly behaviour in saving water. Besides, the Group continued to monitor water consumption level and applied measures to ensure stable use of water resources. For further improvement on utilisation efficiency of water resources, the Group adopted the following practices during the Reporting Period:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Reuse or recycle the wastewater generated during production process if possible.
- Purchase water-saving equipment; and
- Always turn taps off tightly to avert dripping and giving priority to effective water-saving products.

Paper

Since the use of paper has been a critical source of carbon emission in the society, therefore, the Group attached importance on lowering the drawback to the environment, especially the climate change due to imprudent usage of paper material. Paper of the Group mainly consumed for offices with administrative purpose, such as paper printing, drafting documents. Undesired consequences for environment are always come along with enormous consumption on paper. In 2021, the total amount of paper used by the Group increased by around 10%. The Group will further implement effective control of paper resources and the Group's policy of using electronic copies in every possible means instead of issuing paper materials. Meanwhile, the Group will take measure of paper use seriously by highly advocated the reuse and recycling of waste paper for the Group's operational activities. During the Reporting Period, the Group successfully recycled approximately 9 kg of paper usage in Singapore. In the future, the Group commits to further reduce the generation of waste paper through the following measures:

- Reuse the paper which has been used on one side only for scrap paper;
- Make two-sided copies;
- Promote the concept of 'paperless office', and disseminate information by electronic means to minimise the number of paper-made files;

- Install recycling bins to collect recyclables, such as paper and plastic wastes;
- Put boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Periodically review the implementation of paper-saving policies in the Group and set targets in the procurement and recycling of paper accordingly.

Packaging Materials

In 2021, the Group consumed approximately 200kg of plastic packaging materials, such data resulting an increase of 100% compared to the plastic usage in 2020. The Group has been committed to optimising its material management system through estimating, measuring, recording and comparing the quantity of used packaging materials in years on a continuous basis and to monitor the usage of minimum packing size to archive the objective of reducing overall packaging material consumption.

A.3. The Environment and Natural Resources

The Group believes that environment and natural resources should not be sacrificed due to business development, therefore the Group bears the responsibility in minimizing the harm brought to environment along with business operations as an ongoing commitment to good corporate citizenship. With the aforementioned measures in different resources aspects, the Group endeavour to improve environmental sustainability and reduce the impacts on the environment and natural resources. The Group remains conscious of its potential influence and provides a complete picture of environmental initiatives, therefore, the Group regularly assesses the environmental risks of its business model, adopts preventive measures to mitigate risks and ensures compliance with relevant laws and regulations to build an eco-friendly workplace culture that ingraining green habits and lifestyle among employees. The Group encourages employees to participate in various activities in assisting recycling and environment protection activities to help lowering the use of natural resources. Moreover, the Group has introduced a wide range of environmental protection measures in office and construction sites, for examples, using electric equipment in an energy saving manner, fully use of paper and encourage staff to avoid wastage of natural resources.

Regarding the top priority of impacts towards Group’s business, fuel consumption used for the operations of constructional machineries, which not only have drawn the Group’s attention, but also necessitates an urgent action taken by the Group to tackle the problems as it results in air emissions and brings negative influence towards environment. In 2021, the Group focuses on near-term technology investments on reducing both costs and emissions where feasible, benchmarking the best practice in the market that reduce, reuse and recycle the waste in a proper manner. Besides, the Group opts to putting efforts on the optimization of operational system and engines maintenance in order to lower environmental impact and avoid fuel wastage and other negative influence.

Regarding the reliance on petrol and diesel for operations in the construction sites, the Group kept announcing new procurement policies to higher of the level of standard in equipment safety, duration and energy efficiency implemented. As a socially responsible citizen in the society, the Group will continuously improve fuel efficiency in operations and moving towards lower carbon alternatives by closing monitoring any latest market update and development. To move a forward step, the Group will spend efforts to fulfil its environmental responsibilities, align its internal sustainability goals with the targets, grasp the technological innovation as a positive thrust for the advancement towards sustainability, and take actions as part of our sustainable growth strategy.

A.4. Climate Change

Climate change mainly caused by the release of CO_2 into the atmosphere, resulting from the use of fossil fuels for energy and electricity generation. Climate change has become one of the global environmental concerns nowadays as it causes a continuous rise in temperature and poses threats on scarcity of raw material. Climate-related issues which may impact our business mostly came from acute physical risks, especially weather-related events such as typhoons and storms that may impact our operation in Hong Kong and Shenzhen.

Considering the business nature and its unique geographical advantage, climate change would bring relatively less impact on the development of the business of the Group. In spite of having no enormous impact on the Group's business, the Group still strives to put forward environmental conversation and raise awareness of the particular issue. The Group will also review the internal policy and procedures related to extreme weather arrangements regularly to reduce the relevant risk.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group strongly believes that the success of a company highly relies on the contribution and support from employees. A good use of human resources could lead sustainable development and bring bright future to the Group. It is the Group's objective to nurture an inclusive and harmonious working environment. The Group treats employees as their most valuable treasure and strives to provide its employees with a safe and respectful platform for gaining professional knowledge, developing vocational career and living a fulfilling life. The Group has also provided a wide range of fringe benefits such as sick leave, annual leave and medical insurance in accordance with the local laws and Employment Ordinance. As of 31 December 2021, the Group had 118 employees in which all of them are full-time staff with permanent employment term. The total workforce categorised by (i) gender, (ii) age group and (iii) geographical region are shown below:

Chart 1 Total Workforce of the Group by Gender in 2021

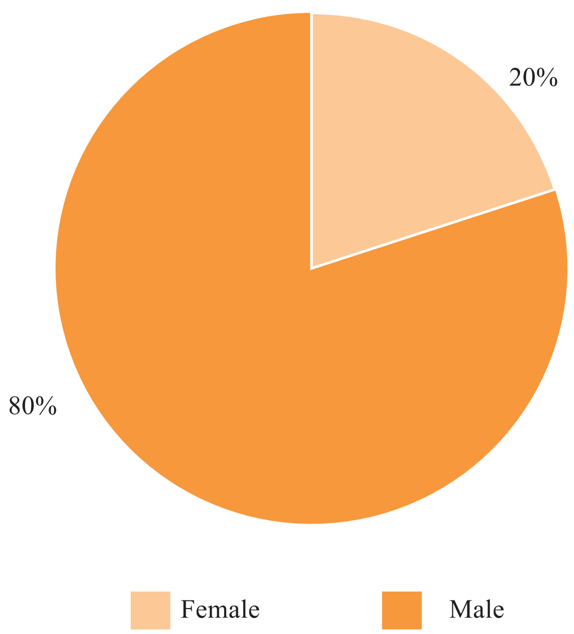


Chart 2 Total Workforce of the Group by Age Group in 2021

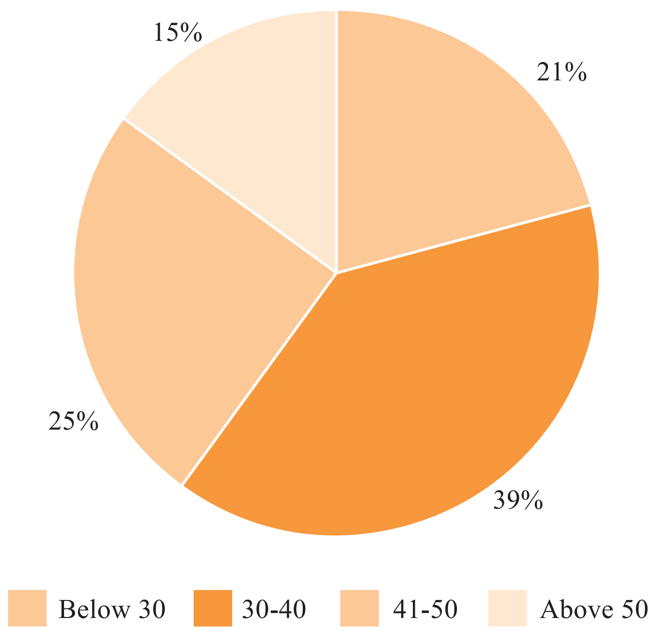
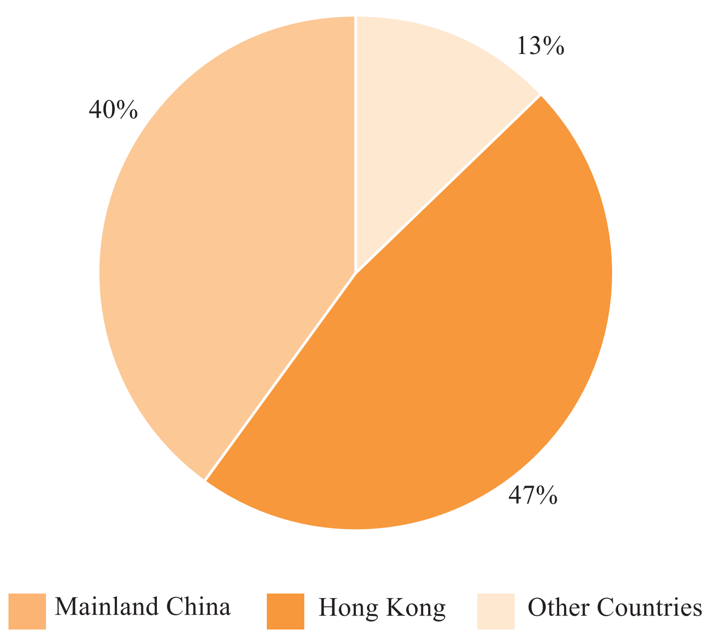


Chart 3 Total Workforce of the Group by Geographical Region in 2021



Law Compliance

The Group is not aware of any material non-compliance with the Employment Ordinance, Employees' Compensation Ordinance and other applicable laws and regulations that have significant impact regarding the compensation and dismissal, recruitment and promotion, working hours, equal opportunity and other benefits and welfare on the Group during reporting period. There is no violation on compliance with law that resulting in significant fines or sanctions which reported in 2021. The Group updates and adjusts the term in employment policies and staff handbook periodically for the aim of satisfying the desire of market and those acts are incepted and abide by the statutory laws and regulations in Hong Kong, the PRC and Singapore. During the Reporting Period, the Group complied with the applicable laws and regulations, including but not limited to the

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法)；
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法); and
- Employment Act (Singapore).

Recruitment, promotion, and dismissal

The Group has adopted a set of clear procedures regulated in 'Personnel Recruitment Plan', in its general and campus recruitment. The recruitment of the Group is fair and open for all employees. The selection processes not affected by age, gender, physical and mental health status, nationality as well. To attract high-calibre candidates, employees are compensated by a fair and competitive remuneration and benefit package based on individuals' educational background, personal attributes, job experiences, career aspirations. To motivate newcomers and employees interest in the positions and further contribute to the Group as well as accomplishing the tasks assigned efficiently, the Group offers promotion and development opportunities for employees with outstanding performance through an open and fair assessment system to explore employees' capability. Performance reviews conducted annually on the achievement on their work and skills. Employees rewarded by their contribution and work performance with results in salary review and promotion consideration. The Group aims to encourage and reward staff working contribution and their hard work by assisting them in their future career development and promotion with the Group. During the Reporting Period, the Group's overall employee turnover rate was approximately 12%. In cases of dismissal, the procedures are complied with statutory requirements. The Group observes turnover rate with a view to continuously enhance human resources management.

The table below shows the employee turnover rate by (i) gender, (ii) age group and (iii) geographical region:

Chart 4 Total Turnover of the Group by Gender in 2021

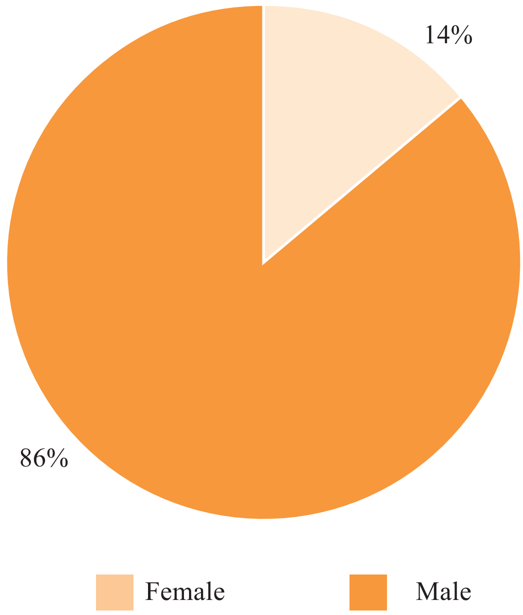


Chart 5 Total Turnover of the Group by Age Group in 2021

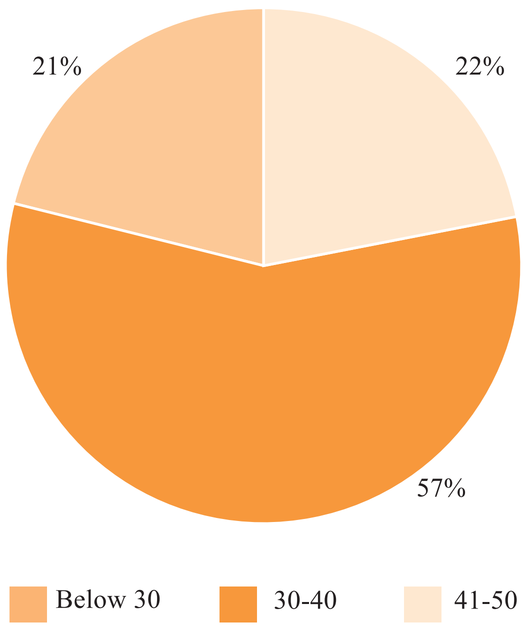
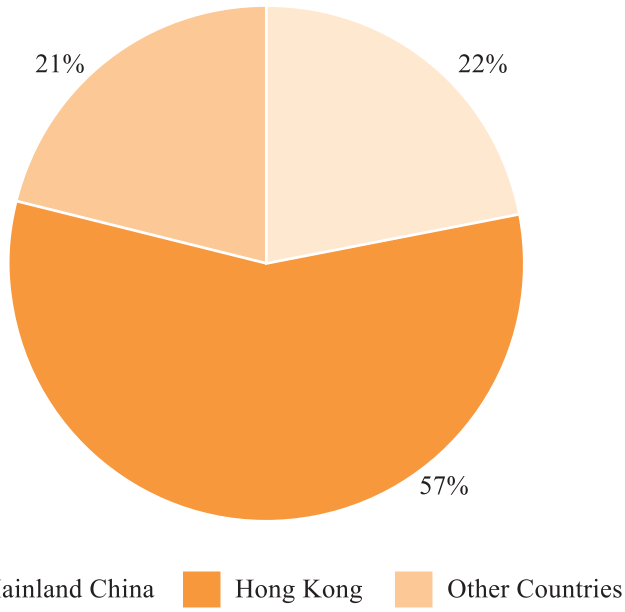


Chart 6 Total Turnover of the Group by Geographical Region in 2021



Working hours and rest periods

The Group recognises the importance of talent management in archiving business development and future growth in long term. In managing the human resources, the Group commits to provide a healthy work-life balance for employees and a comfortable working environment conducive to cultivate a harmonious working culture. To maintain a happy, healthy, safe and productive working environment, we have implemented certain procedures and policies in all aspects of the Group's business operations and integrated into our employee handbook and human resources policy.

The Group has strict compliance on internal policies based on local employment laws including the 'Provisions of the State Council on Employees' Working Hours' (國務院關於職工工作時間的規定) to determine appropriate working hours and rest periods for its employees. In consonance with relevant laws and regulations, the Group monitors and manages its employee's working hours and compensates those who work overtime. The Group also abet employees to balance commitments outside of work by providing different kinds of leaves, such as, annual, maternity and other leaves so as maintain a healthy work-life balance beneficial to improve employee' productivity.

Equal opportunity and anti-discrimination

The Group is an equal opportunity employer and strive to safeguard the equal opportunities in recruitment, training, promotion and remuneration, regardless of the age, gender, religion and disability. The Group aspires to improve employees' well-being and development and treats all employees on an equal footing in favour of maintaining amicable working atmosphere without any kind of discrimination. The Group firmly demands equal employment to protect job applicants from discrimination, where none of disfavour factors are considered before personal merit and competence in neither our evaluation for employment, promotion opportunities, nor remuneration. The Group has also set up disciplinary mechanism to encourage employees to express their concern and report any matters involving discrimination to the Human Resource Department of the Group. Investigations will be conduct and necessary punitive actions will be taken on responsible individuals so as to constitute a working environment where free from discrimination and other inequalities.

During the Reporting Period, the Group did not receive any complaint regarding to unequal affair and treatment. The Group keen to create a fair and open competing environment, that of equal opportunities are provided to our employees regardless of their nationality, age, family status, race, etc.

Other benefits and welfare

In order to protect the employees' rights and provide them with comfortable working environment, the Group is conforming to relevant national laws and regulations by arranging employment injury insurance for its employees. The Group also takes it seriously for the importance in creating an effective communication channel between the management of the Group and employees helps bolster up staff motivation to take up their responsibilities for work, therefore, the Group regularly arranges a host of recreational activities for employees, including birthday lunches, gathering and annual dinner. On the other hand, those activities help to build up sense of belongings among employees and the Group and the employees may more willing to work for the Group.

During the Reporting Period, the Group was complied with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, welfare and other benefits in which bring heavy impact on the Group.

B.2. Health and Safety

Since employees are the most valuable resources of the Group, we place paramount priority on securing health and safety of all employees. The primary objective for the Group is to maintain a safe and healthy working environment for employees under practicable condition. Ensuring the health and safety of our employee is also an integral part of our business activities. Therefore, the Group spares no effort to create a safe, hygienic and productive workplace by prohibiting the potential risk of accidents, injuries and exposure in relation to process no intimidation to employees' health. In order to provide a safe and clean working environment for employees and ensure strict compliance with safety standards and regulations, the Group has set up internal safety and health policies and adopts the best practice that are in line with relevant laws and regulations in Hong Kong, the PRC, and Singapore, including but not limited to the:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);

- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);

- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法);
- Regulation on Work-Related Injury Insurance (工傷保險條例);
- Work Injury Compensation Act (Singapore); and
- Workplace Safety and Health (WSH) Act (Singapore).

Safety training is vital to draw staff's attention in mitigating the risk of work injuries. Apart from encouraging our employees to tidy up and clean work place in order to avert accidents. The Group has organised a wide range of training courses and seminars about occupational health and safety for the employees to raise the awareness of occupational safety. To promote work safety message, the Group reminds employees the importance of safe operation by posting safety warning and signs in workplace obviously, sticks to the instructions of the ISO 45001 Occupational Health and Safety Management Systems rigorously so to archive the targets of striving for zero accidents of all persons involved in work. Moreover, professional teams are organised to manage Occupational Health and Safety (OH&S) affairs for daily operation. The professional teams help to aware of any safety issues in the workplace and make regular check in ensuring workplace safety. In the business of construction machinery, for example, the Repair & Maintenance Department and Services Department are the divisions responsible for the supervision of the implementation of OH&S policies. Those departments work together to check for any updates of relevant standards and regulations.

The Group believes that preventive measure is more essential than reactive measures. To prevent work injury and enhance safety awareness, different business segments of the Group have also implemented specific policies in the OH&S management. The Group arranges regular maintenance on machinery and equipment used in workplace so to ensure all machineries are in good condition and bring no accident when operating. Besides, the Group emphasises on the work safety training issues among employees. For example, licensed workers in Hong Kong are required to complete the compulsory Occupational Safety and Health courses provided by the Construction Industry Council and obtain the qualification or renew safety card so to confirm that they are familiar with the operations and have the knowledge on occupational safety when working in construction sites. To safeguard personal safety, employees working in sites are required to equip with sufficient protection for their work, such as wearing safety belts and safety hat when working at height. Thus, the incidents occurred from work will be eliminated. In accordance with the Safety Management Framework, different departments are responsible for specific duties to abate the occupational health and safety risks. For instance, warehouse manager holds responsibility for warehouse works; Workshop and onsite R&M issues are managed by R&M (Repair and Maintenance); Passenger Hoist team is formed for monitoring service work regarding the passenger hoist. Furthermore, the Group also pays attention on the details in its EHS (Environment, Health and Safety) management for better inspecting and enhancing the environment, health and safety related facilities. Internal staff conducts periodical inspection, maintenance and replacement on all fire equipment in which helps to mitigate the risk of unexpected accidents and worker injury. The subsidiary of the Group in Singapore, which was ISO 45001 certified, awarded the 'BizSafe Star' certification from the Workplace Safety and Health Council.

Although the Group is pleased to announce that the there is no work-related fatalities occurred in past three years, we recorded 122 lost days due to work injury (after deduction of the public holiday) in the Reporting Period. The Group will strive to enhance our protective measures to minimise the incidents and alleviate the impact on our operation.

Apart from the above, we did not observe any breach of relevant laws and regulations that may have a significant impact on the Group during the Reporting Period. The Group will keep on promoting and maintaining occupational health and safety to all employees so as to avert work injury from happening.

B.3. Development and Training

The Group understands that knowledge, skills and capabilities of employees are essential to bring future development and success to the Group. In view of that, the Group is focusing on cultivating a culture of safety. The Group offers variety of training programmes for employees to improve their technical skills and knowledge in performing their duties. For example, the Group provides employees training programs on systematic techniques and safety related information in a bid to enhance the staff conscious and knowledge on occupational safety and health. As a way to motivate employees to take initiative in learning, the Group also encourages staff to attend external trainings and seminars which ensuring that all of our employees are well trained to promptly report the occurrence of any incidents and potential hazards as well as taking appropriate measures to advert damages to themselves and the assets of the Group.

Specifically, the Group provides internal training to all newly recruited employees, topics covers the history of company, corporate governance structure, corporate culture, business processes, and management system to create a platform for new joiners to understand the Group's background, mission and create the sense of belongings among staff and the Group. Enhancing employee' technical skills and knowledge is also a way to assist business future development. Hence, the Group offers training for experienced employees as well. Profession-oriented courses arranged according to the corporate demands and employees' expectations. The Group strives to make sure that all employees are technically competent to complete their daily tasks with a more efficient manner and rise working performance through a variety of training opportunities.

Moreover, the Group also highly encourages employees to further enhance their professional skills and meet the needs of the Group's development goal by signing up for relevant qualification examinations and external training as skilful employees can lead better development to the Group. In the Reporting Period, the employees from the business of construction machinery, for instance, participated in a number of training programmes held by the Construction Industry Council. As a way to boost employees' learning motivation, the Group provides reimbursement mechanism for employees who have attended the professional qualification examinations and obtained vocational qualification certificates. Furthermore, the Group has also organised continuous professional development related to high-level training and seminars for all directors for the purpose to ensure that they clearly understand business operations of the Group, directors' responsibilities and obligations under the Listing Rules and other regulatory requirements.

In the Reporting Period, there were a total of 98 out of 118 employees or 83% of employees who took a range of training courses organised either by the Group internally or external organisations such as Construction Industry Council, Hong Kong Institute of Construction and Vocational Training Council, and the training time of all participants amounted to 707 hours in total and the average training hours per employee was 5.99.

The charts below show the percentage of employees trained by (i) gender and (ii) employee category:

Chart 7 Percentage of Employee Trained by Gender in 2021

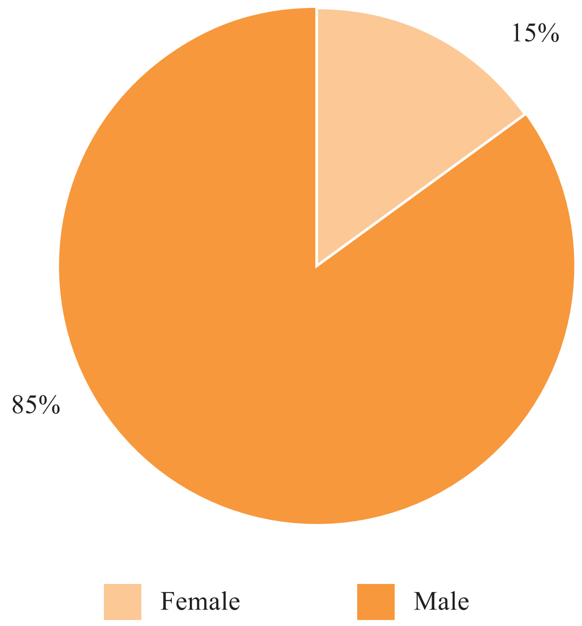
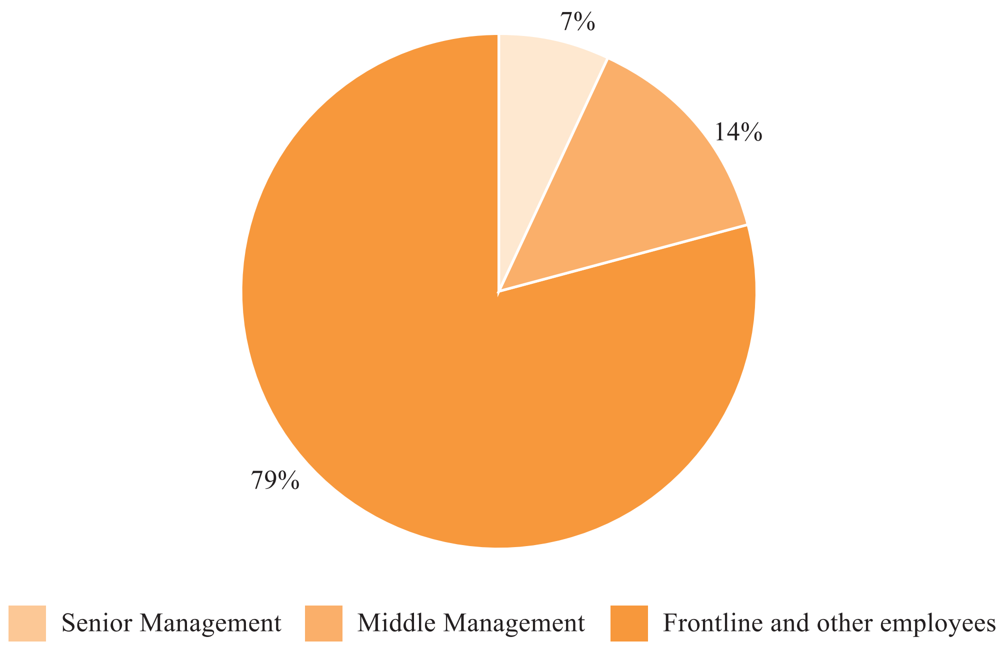


Chart 8 Percentage of Employee Trained by Employee Category in 2021



The average training hours completed per employee by (iii) gender and (iv) employee category are illustrated below:

Table 3 Average training hours completed per employee by Gender and Employee Category in 2021

Average training hours completed per employee by category	Unit	Amount in 2021
By gender:		
Male	Hours	6.86
Female	Hours	2.58
By employee category:		
Senior Management	Hours	3.46
Middle management	Hours	2.67
Frontline and other employees	Hours	7.06

B.4. Labour Standards

The Group prohibits employing forced, boned and child labour and it adheres to all relevant laws and regulations in order to protect the rights of all employees and does not tolerate labour exploitation. Hence, the Group commits to maintain work environment free of discrimination and all employees are fairly treated regardless of age, marital status, pregnancy, race and religion. Apart from that, during the Reporting Period, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (中華人民共和國勞動法) and Employment Act (Singapore) to prohibit any child and forced labour employment. Rights and freedom of every individual are protected by certain policies. To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. No worker is asked to neither provide identification documents nor lodge deposits as a condition of employment. In order to prevent child labour, the Human Resource Department takes verification procedures on job applicant's age. The Department is also responsible for monitoring and ensuring the compliance of corporate policies and practice with latest laws that prohibit child labour and forced labour. Any labour-related issues discovered by the Group will dealt with diligently and the Group will take disciplinary action immediately, such as termination of employment contract.

During the Reporting Period, the Group has complied with the relevant laws and regulations, in relation to prevent the consequences arisen from child and forced labour on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

To fulfil environmental and social responsibility, the Group has put efforts to manage business operations including supply chain management by committing to develop and maintain effective and mutually beneficial business relationships with different business partners. As of 31 December 2021, the Group had 195 suppliers in total where Singapore, Hong Kong and the PRC had 134, 46 and 15 suppliers respectively. The Group keeps an effective engagement with all its suppliers. The booming supply base and sound relationship with suppliers are essential to meet demand in the high volume market. As a socially responsible enterprise, the Group ensures business sustainability and managing operating costs through playing a role in every stage of its products and services throughout its life cycle, and maintain proper management of the supply chain keep the Group's reputation.

In recent years, the Group spends efforts to manage a good relationship with suppliers so to archive immediate and long-term business goals. In years, the Group has been the authorised dealer on trading and leasing of "Potain" brand tower cranes in Hong Kong. The manufacturer of "Potain" brand tower cranes is Manitowoc Crane Group Asia Pte ("**Manitowoc**"), the Group's major supplier in the business of Trading and Leasing of Construction Machinery. Since the year 2016, Manta Hong Kong has also been the exclusive dealer of GJJ passenger hoists by Jing Long Eng. Machinery Co., Ltd. (廣州市京龍工程機械有限公司) ("**Jing Long**") in Hong Kong and Macau. The Group has formal written distribution agreements for both dealerships.

According to the Group's practice, certain construction work such as installation, erection, floor climbing operation and dismantling work of tower cranes and passenger are subcontracted to other companies through tendering. During the tendering procedures and post management on the performance of the sub-contractors, the Group works to ensure that all suppliers comply with the requirements and conditions that has been agreed upon in the contract based on rounds of negotiations so to avoid potential risks happening. The Group mainly keeps in touch with few tenders during tendering process so to stabilise the supply chain and avoid the risk of monopoly of supply. For the part of subcontractor selection, the Group has consideration on the aspects of price, reputation, previous job reference, compliance with local laws and regulations in business operation, relevant business licenses, products' specifications and qualification of the team workers. Several rounds of quotation are conducted, product quality is carefully investigated and environmental management qualification and certification are verified before coming up any decisions making. Besides, fair and transparent tendering process is being held to regulates any factors including law-compliance, business licenses and job reference. The Group also requires that certification must be a compulsorily considered in the sub-contractor selection process. Furthermore, the Group performs periodic evaluation on the suppliers and services providers' performance with the objective of reviewing for better control and assurance on the products and service quality. Apart from it, to ensure the quality of work and operating performance fulfil the requirements in the aspects of technical and environmental, performance of sub-contractors on site inspected by Group's service supervisors. They provide relevant advisory support, and record any inappropriate practice and report observations of non-compliance or quality problem to the management immediately if there is any issue.

The Group commits to limit the negative environmental influence that might brought by sourcing activities. Continuously, we will incorporate sustainability considerations into our sourcing practices including procurement of other office equipment and communicate with suppliers on their environmental and social responsibilities to identify opportunities to improve their current environmental and social practices. The Group values the partnership with its suppliers and believes that a competent value chain management can drive long-term cooperation, quality and responsible behaviour efficiently.

B.6. Product Responsibility

The Group takes product safety and quality as a major competitive advantage of its business and spends effort to enhance product quality and strengthen trust with customers. The Group has measures in place to deal with the issues of product quality to ensure all products that supplied to our customers meet our requirements for product safety and quality. To secure that the products delivered with high quality, the Group has performed assessment on supplier's background and the quality of the material supplied before admitted as qualified suppliers. With regard to the Group's health and safety, advertising, labelling, intellectual property rights and consumer data protection and privacy matters of its products and services, the Group fully complies with the relevant rules, regulations and standards in Hong Kong, the PRC and Singapore, including but not limited to the followings:

- Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Hong Kong);
- Guidelines on Safety of Tower Cranes (Hong Kong);
- Guidelines on Safety of Lift Shaft Works (Hong Kong);
- Code of Practice for Safe Use of Tower Cranes (Hong Kong);
- Boilers and Pressure Vessels Ordinance (Hong Kong);
- Code of Practice for Owners of Boilers and Pressure Vessels (Hong Kong);
- Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong);
- Patents Ordinance (Cap. 514 of the Laws of Hong Kong);
- Copyright Ordinance (Cap. 528 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong);
- Workplace Safety and Health Act (Singapore);
- Work Injury Compensation Act (Singapore);
- Patents Act (Singapore);
- Copyright Act (Singapore);

- Trade Marks Act (Singapore);
- Personal Data Protection Act (Singapore);
- Product Quality Law of the People's Republic of China (中華人民共和國產品質量法);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Patent Law of the People's Republic of China (中華人民共和國專利法);
- Trademark Law of the People's Republic of China (中華人民共和國商標法);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法); and
- Advertising Law of the People's Republic of China (中華人民共和國廣告法).

Product safety is the major emphasis of the core business in Hong Kong and Singapore branch, as the main requirement of the operation of tower cranes is the guarantee of their reliability under adverse external influences. The Group contains only one supplier of "Potain" brand tower cranes in Hong Kong and Singapore, namely Manitowoc. Therefore, the Group adheres to the Potain's product operating and maintenance manuals, 'Guidelines on Safety of, Tower Cranes' and its internal policies in the maintenance works to eliminate the risks during construction project that might be caused by the aging, failure, or other malfunctions. To ensure product safety, basic maintenance such as, painting, polishing and reinforcement of connecting parts, and lubrication of moving components inspected regularly. The Group has also conducted a more comprehensive check and maintenance after the rental period in order to maintain a high level of equipment efficiency. Before the erection, climbing and dismantling of machines, relevant inspections are necessary and required to be carried out in a discreet way by professionals. In Hong Kong, the subsidiary normally engages external government Authorised Examiners ("**AE**") to perform ultrasonic test and corrosion prevention test along with professional engineering calculations before operations. In Singapore, a certification from AE is necessitated for erected T-cranes. It is worth mentioning that the labour department of the Group in Hong Kong is responsible for enforcing the requirements of OH&S regulations in the company therefore, the Group sets up a legislative framework as reference and advisory guides for health and safety assurance in operations. The Group modified and upgrade its fleet to ensure the stability of all machineries by following the requirement of latest and relevant guidelines about the installation of a secondary braking system in all tower cranes used in job sites updated by the Hong Kong Housing Authority.

The Group realises that maintaining good quality of products is the way to keeps its reputation and secure long-term customer support since the customers are emphasising the great importance to the quality of energy products provided by the Group.

Along with the expansion of business segment and variety of services type provided by the Group, it commits to tailor-made for each one in order to satisfy all clients desire. To deal with the post-sales issue, like repair and maintenance, addressing customers' requests and enquiries relating to the operation of machineries in a timely and efficient manner, a professional in house servicing team consisting of professional engineers and experts in Hong Kong and Singapore launched to tackle the above issues. To better archive the goals set by the Group of product safety issue, clear onsite inspections and guidance are also set up to make sure that the customers of the Group can operate the equipment conveniently.

The Group places a high priority to ensure customer satisfaction in terms of products and services, hence, to ensure customer receives rapid response and experience an efficient problem-solving process, setting up an abundant inventory of replacement and spare components for maintenance is important. As such, the Group has established an efficient system on the management of repair and maintenance items in order to assure that customers' opinion managed efficiently and confidently. Once any complaint and feedback received from its clients, the quality control department of the Group will make an investigation and verify the case accordingly. Professional team of the Group is responsible for taking corrective actions when substantiated complaints are addressed, ensuring that all customers' complaints can be resolved efficiently. The Group has also established various operations manual to archive the purpose of standardising the procedure of operation and documentation of record, so to sustain the quality and consistency of the above services and operations.

During the Reporting Period, none of our products were recalled and the Group received only one complaint related to the Group's products and services. The Group welcomes all kinds of feedback no matter it is a positive compliment or suggestion for improvement, and sees the valuable piece of advice from its customers as opportunities to sum up experience and enhance service quality. The Group treats every customer opinion as a motivation for having better enhancement. It also aspires to supply the best service experience to improve customer satisfaction by setting up an internal 'Product Recall Control Procedures' policy, specifying a strict procedure to deal with any matters regarding product recall that might be caused by product defect, safety hazard or non-compliance with relevant regulations. The Company has also launched different communication channels, such as emails, hotline to collect valuable opinion from customer. The Group follows up complaints closely and keeps improving the product quality and services to fulfil customers' desire and enrich customer experience.

The Group's senior management is responsible for safeguarding the intellectual properties. Contracts between the Group, employees and relevant parties contained a confidentiality clause to prevent the leakage and misuse of the intellectual property rights. A whistleblowing policy is in place for employees report any incident regarding the non-compliance with relevant laws and regulations of the patents, copyright and trademarks.

Data protection measures are established and monitored by the senior management to protect the sensitive data of the customers, suppliers and other relevant parties. A secure environment with data protection measure is set up to store these data in the information system. Only authorized staff members have the right to require the access to the sensitive data. Employees were trained of not releasing the personal data of both the customers and suppliers to external parties without the permission of the relevant parties. This is to prevent any accidental or unauthorized access, amendments or usage of these data that would damage the reputation and image of the Group. During the Reviewing Period, the Group was unware of any unauthorized access, accidental, usage or amendments of these data.

B.7. Anti-corruption

The Group is committed to upholding high standards of business ethics and integrity in the conduct of the Group's business and operations. Honesty, integrity and fair play are important elements in the Group's business. The Group adopts a zero-tolerance approach for bribery, extortion, fraud and money laundering. Employees at all levels such as Directors, management personnel, staff members are required to manage themselves with integrity imparity and honesty. In order to maintain a fair, ethical and efficient working environment, the Group strictly follow the local laws and regulations relating to anti-corruption and bribery in 2021, including but not limited to the:

- Anti-corruption law of the People's Republic of China (中華人民共和國反腐敗法);
- Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法);
- Interim Provisions on Banning Commercial Bribery (國家工商行政管理局關於禁止商業賄賂行為的暫行規定);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong);
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong); and
- Prevention of Corruption Act (Singapore).

To promote fair and just commercial competition and make this strong commitment within our business, the Group has enforced its anti-corruption policies as stipulated in its 'Code of Conduct and Discipline' and 'Staff Handbook' to manage any fraudulent practices within the organisation. For internal management, all forms of bribery and corruption prohibited in the Group and all employees are required to conform to the codes of professional ethics. The Group has conveyed firm stance against corruption and fraud to employees. All employees are expected to perform their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities that might exploit their positions against the Group's interests and create conflicts of interest.

In order to avert corruption, the Group has provided an obvious, safe and confidential way for employees to report suspicious concern with Whistleblowing channels, as described in our 'Whistleblowing Policy'. The policy has been in place for any reporting on the case of anti-corruption by employees without any fear of receiving any negative impacts since whistle blower is protected and staff can report misconduct anonymously. The policy aims to draw attention in maintaining internal corporate fairness and justice. Suspected non-compliance may report to the audit committee. Any suspiciously illegal behaviour would be investigated, evaluated and disciplined in order to protect the Group's interests. The management of the Group will review and arrange follow up actions to inspect on any misconduct case. Employees found to have breached our standards and be engaged in misconduct will be subjected to termination of contract, dismissal, or criminal proceedings.

The Group emphasizes raising the awareness of employees regarding anti-corruption. Despite the fact that the Group did not directly hold any anti-corruption training courses and seminars to its directors and employees during the Reporting Period due to COVID-19, they were encouraged to study the online materials offered by various regulatory authorities on their own. Yet, the Group will continue to explore the opportunities of formally arranging internal and external training related to anti-corruption in the following year.

In 2021, the Group complied with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that bringing a significant impact on the Group. Organisational structures and policies in the Group are in place to insist a high standard of corporate governance and maintain an ethical corporate culture. During the Reporting Period, no concluded legal case concerned corrupt practices brought against the Group or our employees.

B.8. Community Investment

As a socially responsible enterprise, the Group is constantly aware of the needs of community and takes up its corporate responsibility to give back the community. It is the one of the core values of the Group to generate significant upstream and downstream impacts on sustainability in the surrounding environment with its community members. The Group also believes in the essential of sustainable development and environmental protection into all aspects of business activities.

Despite the fact that the Group has faced difficulties in investing resources during a hard time, the Group is committed to exerting resources to support our community and encourage our employees to dedicate their skills in participating in various charitable and local voluntary activities thus to creating a harmonious society when available in the future. The Group has also implemented several measures and internal policy to minimise the negative impact towards the environment, such as greenhouse gases, solid waste and wastewater.

Although the Group had difficulties on investing actual resources such as money or time due to the current situation of the COVID-19, the Group will strive to uphold the principles of accountability to shareholders, investors, suppliers, customers and seek further development opportunities to maintain a harmonious relationship with the stakeholders in long-term relationship and enhance its social responsibilities as a corporate citizen to make positive contributions to the public community.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

TO THE MEMBERS OF KAISA CAPITAL INVESTMENT HOLDINGS LIMITED
佳兆業資本投資集團有限公司
(formerly known as Eagle Legend Asia Limited 鵬程亞洲有限公司)
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Kaisa Capital Investment Holdings Limited (formerly known as Eagle Legend Asia Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 166, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other 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, except for the possible effect of the matters described in the Basis for Qualified Opinion section of our report, 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 Hong Kong Companies Ordinance.

BASIS OF QUALIFIED OPINION

In our auditor's report dated 26 March 2021 on the consolidated financial statements for the year ended 31 December 2020, we disclaimed an opinion due to, amongst other matters, a limitation in the scope relating to our audit of Best Earnest Investments Limited (佳誠投資有限公司) ("Best Earnest") and its subsidiaries including Guangdong Dahe Biological Technologies Limited (廣東大合生物科技股份有限公司) ("Guangdong Dahe") (the "Best Earnest Group") at 24 June 2020 (the "Disposal Date"), loss on disposal of subsidiaries of approximately HK$68,272,000 for the year ended 31 December 2020, loss from discontinued operation for the period from 1 January 2020 to 24 June 2020 of approximately HK$1,234,000 and the related disclosure. Our audit opinion on the consolidated financial statements for the year ended 31 December 2021 is also modified because of the possible effects of abovementioned matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

BASIS OF QUALIFIED OPINION *(Continued)*

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

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

As described in note 2.1 to the consolidated financial statements, as of 31 December 2021, the Group had net current liabilities of approximately HK$33,655,000 and accumulated losses of approximately HK$373,609,000. As at 31 December 2021, the Group's total borrowings comprising borrowings and other loans amounting to approximately HK$189,548,000, of which current borrowings amounting to approximately HK$98,735,000, while its cash and cash equivalents amounting to approximately HK$26,356,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

The Key Audit Matters	How the matter was addressed in our audit
Valuation of properties under development	
As at 31 December 2021, the Group had properties under development ("properties") amounting to HK$115,938,000, which represented approximately 21% of the total assets of the Group. Given the significant balance of the properties and involvement of critical accounting estimates, the impairment assessment of the properties is considered a key audit matter. The properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of the properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, no impairment is provided for the year ended 31 December 2021.	Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions and the respective adjustment factors. We compared the estimated selling price to the recent market transactions by reference to the prevailing market price of the comparable properties with similar type, size and location and challenged the reasonableness of the adjustment factors adopted.

KEY AUDIT MATTERS *(Continued)*

The Key Audit Matters	How the matter was addressed in our audit
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to the use of judgment and estimation by management in assessing the recoverability of trade receivables. Expected credit loss ("ECL") allowances for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and adjusted for forward-looking information, all of which involve a significant degree of management's estimates and judgment. At 31 December 2021, the carrying amount of trade receivables is approximately HK$88,658,000 as set out in note 23 to the consolidated financial statements.	Our audit procedures in relation to the valuation of trade receivables included: (i) obtaining an understanding of how the ECL allowances for trade receivables is estimated by management; (ii) testing the aging analysis of trade receivables, on a sample basis, to the source documents including goods delivery notes (for machinery sales), lease commencement slips and sales invoices; (iii) reviewing the aging analysis of trade receivables throughout the year to understand the settlement patterns by the customers; (iv) evaluating the Valuer's competence, capabilities and objectivity; (v) discussing with the Valuer and obtained the independent ECL valuation report to reassess the ECL allowances for trade receivables; (vi) evaluating the appropriateness of the valuation model and key inputs used in determining ECL allowances for trade receivables, and check the mathematical accuracy of the valuation model; and (vii) assessing the reasonableness of management's ECL allowances estimates by examining the information used by the Valuer to form such judgment, including checking the loss rates of the debtors to independent source, comparing historical default rates and evaluating whether the loss rates are appropriately adjusted for forward-looking information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

We communicate with 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 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor,
Lee Garden Two,
28 Yun Ping Road, Causeway Bay,
Hong Kong

29 March 2022

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	*8*	214,744	143,061
Cost of sales and services		(80,336)	(76,193)
Gross profit		134,408	66,868
Other income and gains	*9*	7,719	5,829
Selling and distribution expenses		(2,556)	(1,690)
Administrative expenses		(57,222)	(61,994)
Other operating expenses	*10*	(65,013)	(53,713)
Finance costs	*11*	(10,287)	(17,789)
Profit/(loss) before income tax	*12*	7,049	(62,489)
Income tax expense	*14*	(3,039)	(550)
Profit/(loss) for the year from continuing operations		4,010	(63,039)
Discontinued operations			
Loss for the year from discontinued operations	*13*	–	(1,234)
Loss on disposal of subsidiaries	*39*	–	(68,272)
Loss for the year from discontinued operations		–	(69,506)
Profit/(loss) for the year		4,010	(132,545)
Continuing operations			
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		950	52
Other comprehensive income for the year from continuing operations		950	52
Discontinued operations			
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		–	(8,481)
Translation reserve released upon disposal of subsidiaries		–	9,042
Other comprehensive income for the year from discontinued operations		–	561

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Other comprehensive income for the year		950	613
Total comprehensive income/(loss) for the year		4,960	(131,932)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– Continuing operations		4,478	(62,999)
– Discontinued operations		–	(68,901)
Profit/(loss) for the year attributable to owners of the Company		4,478	(131,900)
Non-controlling interests			
– Continuing operations		(468)	(40)
– Discontinued operations		–	(605)
Loss for the year attributable to non-controlling interests		(468)	(645)
		4,010	(132,545)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		5,428	(126,266)
– Non-controlling interests		(468)	(5,666)
		4,960	(131,932)
Earnings/(loss) per share from continuing and discontinued operations			
– Basic and diluted (HK cents)	16(i)	0.42	(12.44)
Earnings/(loss) per share from continuing operations			
– Basic and diluted (HK cents)	16(ii)	0.42	(5.94)
Loss per share from discontinued operations			
– Basic and diluted (HK cents)	16(iii)	–	(6.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*18*	**187,634**	138,810
Right-of-use assets	*19*	**105,154**	130,585
Intangible assets	*20*	**3,432**	2,466
Deferred tax assets	*31*	**101**	101
Deposit	*24*	**164**	1,097
Trade receivables	*23*	**–**	298
		296,485	273,357
Current assets			
Properties under development	*21*	**115,938**	95,598
Inventories and consumables	*22*	**10,249**	11,561
Trade receivables	*23*	**88,658**	64,224
Prepayments, deposits and other receivables	*24*	**11,950**	10,960
Tax recoverable		**380**	–
Cash and cash equivalents	*25*	**26,356**	29,953
		253,531	212,296
Current liabilities			
Trade payables	*26*	**61,703**	58,704
Receipt in advance, accruals and other payables	*27*	**83,654**	60,941
Contract liabilities	*27*	**3,840**	4,720
Borrowings	*28*	**15,735**	7,797
Other loans	*29*	**83,000**	83,000
Lease liabilities	*30*	**37,161**	36,143
Tax payable		**2,093**	440
		287,186	251,745
Net current liabilities		**(33,655)**	(39,449)
Total assets less current liabilities		**262,830**	233,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Borrowings	*28*	**90,813**	65,363
Lease liabilities	*30*	**37,584**	39,072
Deferred tax liabilities	*31*	**2,197**	2,197
		130,594	106,632
Net assets		**132,236**	127,276
EQUITY			
Share capital	*32*	**10,600**	10,600
Reserves	*33*	**121,636**	116,208
Equity attributable to the owners of the Company		**132,236**	126,808
Non-controlling interests	*37*	**–**	468
Total equity		**132,236**	127,276

Zhao Yi
Executive Director

Lee Kin Ping Gigi
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital HK$'000	Share premium* HK$'000	Statutory reserve* HK$'000	Merger reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	10,600	346,824	6,293	120,985	–	158	(249,323)	235,537	255,041	490,578
Loss for the year	–	–	–	–	–	–	(131,900)	(131,900)	(645)	(132,545)
Exchange difference on translating foreign operations	–	–	–	–	–	(3,408)	–	(3,408)	(5,021)	(8,429)
Translation reserve released upon disposal of subsidiaries (note 39)	–	–	–	–	–	9,042	–	9,042	–	9,042
Total comprehensive loss for the year	–	–	–	–	–	5,634	(131,900)	(126,266)	(5,666)	(131,932)
Transfer to statutory reserve	–	–	2,378	–	–	–	(2,378)	–	–	–
Deemed contribution from a shareholder	–	–	–	–	17,537	–	–	17,537	–	17,537
Disposal of subsidiaries (note 39)	–	–	(6,293)	–	–	–	6,293	–	(248,907)	(248,907)
Balance at 31 December 2020 and 1 January 2021	10,600	346,824	2,378	120,985	17,537	5,792	(377,308)	126,808	468	127,276
Profit/(loss) for the year	–	–	–	–	–	–	4,478	4,478	(468)	4,010
Exchange difference on translating foreign operations	–	–	–	–	–	950	–	950	–	950
Total comprehensive gain for the year	–	–	–	–	–	950	4,478	5,428	(468)	4,960
Transfer to statutory reserve	–	–	779	–	–	–	(779)	–	–	–
Balance at 31 December 2021	10,600	346,824	3,157	120,985	17,537	6,742	(373,609)	132,236	–	132,236

* At 31 December 2021, the reserves accounts comprise the consolidated reserves of approximately HK$121,636,000 (2020: approximately HK$116,208,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax			
– From continuing operations		7,049	(62,489)
– From discontinued operations		–	(69,506)
		7,049	(131,995)
Adjustments for:			
Bank interest income	9	(4)	(4)
Bond investment income	9	(4,129)	–
Bond dividend income	9	(2,080)	–
Gain on disposal of property, plant and equipment	9	(37)	(3)
Impairment loss on trade receivables, net	12	1,729	618
Written-off of trade receivables	12	–	747
Depreciation of property, plant and equipment	12	33,863	29,473
Depreciation of right-of-use assets	12	29,367	23,418
Impairment loss on property, plant and equipment	12	–	59
Written-off of property, plant and equipment	12	437	–
Impairment loss on right-of-use assets	12	–	5,641
(Reversal of provision)/provision for inventories, net	12	(22)	1,255
Amortisation of intangible assets	12	1,783	822
Interest expenses	11	10,287	17,789
Loss on disposal of subsidiaries	39	–	68,272
Operating profit before working capital changes		78,243	16,092
Decrease in inventories and consumables		4,722	5,930
Increase in properties under development		(20,340)	(95,598)
Increase in trade receivables		(25,888)	(20,677)
Increase in prepayments, deposits and other receivables		(57)	(4,958)
Increase in trade payables		3,016	21,185
Increase in receipt in advance, accruals and other payables		18,268	10,489
(Decrease)/increase in contract liabilities		(880)	4,432
Cash generated from/(used in) operations		57,084	(63,105)
Interest paid		(2,424)	(2,229)
Income tax paid		(1,766)	(332)
Net cash generated from/(used in) operating activities		52,894	(65,666)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Interest received		4	4
Proceeds from disposal of bonds		56,795	–
Purchase of bonds		(52,666)	–
Bond dividend income		2,080	–
Purchase of property, plant and equipment		(88,745)	(29,600)
Proceeds from disposal of property, plant and equipment and right-of-use assets		2,927	3
Net proceeds from disposal of discontinued operations	39	–	144,660
Acquisition of subsidiary, net of cash acquired		(2,749)	736
Net cash (used in)/generated from investing activities		(82,354)	115,803
Cash flows from financing activities			
Repayment of lease liabilities	*40(b)*	(6,555)	(48,443)
Interest element of lease rentals paid	*40(b)*	(3,697)	(2,943)
Repayment of borrowings	*40(b)*	(11,180)	(3,014)
Proceeds from borrowings	*40(b)*	44,357	62,489
Repayment of other loans	*40(b)*	–	(100,000)
Advance from a related company	*42(a)*	–	60,000
Repayment to related companies	*42(a)*	–	(100,000)
Net cash generated from/(used in) financing activities		22,925	(131,911)
Net decrease in cash and cash equivalents		(6,535)	(81,774)
Cash and cash equivalents at the beginning of year		29,953	112,224
Effect of exchange rates changes on cash and cash equivalents		2,938	(497)
Cash and cash equivalents at the end of year	25	26,356	29,953

1. GENERAL

Kaisa Capital Investment Holdings Limited (formerly known as Eagle Legend Asia Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at No. 3610, 36/F., The Center, 99 Queen's Road Central, Central, Hong Kong. The Company is an investment company and its subsidiaries (collectively known as the "Group") are principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery ("Construction Equipment Business") and (ii) property development ("Property Development Business").

The principal activities of the subsidiaries are described in note 36.

The Company's issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2010. Pursuant to a completion of an acquisition from Mighty Empire Group Limited ("Mighty Empire Group") on the Company, the immediate holding company of the Company is changed to Mighty Empire Group and the ultimate holding company of the Company is changed to Kaisa Group Holdings Ltd. ("Kaisa Group") with effect from 29 April 2021. Mighty Empire Group was incorporated in the British Virgin Islands and Kaisa Group was incorporated in the Cayman Islands. The issued shares of Kaisa Group are listed on the Main Board of the Stock Exchange.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements on page 69 to 166 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. BASIS OF PREPARATION *(Continued)*

2.1 Basis of preparation *(Continued)*

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 4.

At the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$33,655,000. The directors of the Company (the "Directors") consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2021, on the basis that financial support is obtained from a former substantial shareholder of the Company for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$23,425,000 respectively as at 31 December 2021 in the next twelve months.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis. Disposal group held for sale is stated at the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

2.2 Functional and presentation currencies

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the board of Directors (the "Board") on 29 March 2022.

4. ADOPTION OF NEW AND AMENDED HKFRSs

4.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, on 1 January 2021, the Group has early adopted the amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which will be mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

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 Effective date not yet determined
4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The above new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.1 Business combination and basis of consolidation *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition–date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill or gain on bargain purchases only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

5.3 Property, plant and equipment and right-of-use assets

The cost of property, plant and equipment (other than construction in progress as described below) and cost of right-of-use assets as described in note 5.5 includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Buildings	30 years
Leasehold improvements	5 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

Accounting policy for depreciation for depreciation of right-of-use assets is set out in note 5.5.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.3 Property, plant and equipment and right-of-use assets *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5.4 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Construction licenses	3 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite useful lives, are tested for impairment as described in note 5.16.

5.5 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined and the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee *(Continued)*

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its machineries and the sub-lease contracts are classified as operating leases.

Rental income is recognised on a straight-line basis over the term of the lease.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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 market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss. The Group's trade receivables, other receivables, deposits and cash and cash equivalents fall into this category of financial instruments.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Debt instruments *(Continued)*

Fair value through profit or loss: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases; (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The ECL on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECL also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of debtors to settle receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19. The Group recognises lifetime ECL for trade receivables based on individual significant customers or the ageing of customers collectively that are not individually significant.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economics or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income on non credit-impaired financial assets is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities other than lease liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. The Group's financial liabilities include trade and other payables, accruals, borrowings, other loans and lease liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities other than lease liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs which are set out in note 5.17.

Where 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 an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Accounting policies of lease liabilities are set out in note 5.5.

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.9 Discontinued operations

A discontinued operations is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of:(i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operations.

5.10 Properties under development

The leasehold land element of properties under development is as a right-of-use asset. Properties under development are stated at the lower of cost and net realisable value. Properties under development are intended to be held for sale after completion. They are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.11 Revenue recognition

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, excluding those amounts collected on behalf of third parties. Revenue is net of value added tax or other sales taxes, if any.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer 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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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.

Under HKFRS 15, revenue from sales of machinery and spare parts is recognised at a point in time upon delivery and there is no unfulfilling performance obligation after the acceptance of goods. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Revenue from services is recognised over time upon completion of services and there is no unfulfilling performance obligation after the service rendered. There is generally only one performance obligation in a contract. Services income of the Group mainly represents service derived from including erection, climbing and dismantling of tower cranes. The services period is, in general, ranging from 1 to 14 days or based on the requirements of the services provided.

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Accounting policies for rental income are set out in note 5.5.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.12 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised direct in equity.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.12 Income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

– the Group has the legally enforceable right to set off the recognised amounts; and

– intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

– the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– the deferred tax assets and the 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.

5.13 Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the date).

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.13 Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

5.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Company's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Company's subsidiaries which operate in Macao Special Administrative Region ("Macau") and the People's Republic of China, excluding Hong Kong Special Administrative Region ("Hong Kong"), Macau and Taiwan, (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in Macau and the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.14 Employee benefits *(Continued)*

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5.15 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.16 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment under cost model;

– Right-of-use assets;

– Investments in subsidiaries; and

– Intangible assets

All assets other than financial assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.16 Impairment of non-financial assets *(Continued)*

Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 or cash generating unit.

5.17 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use for sale are complete. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.18 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the assets. Government grants relating to income is presented in gross under "other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

5.20 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

5.21 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.22 Segment reporting *(Continued)*

The Group has identified the following reportable segments by continuing operations and discontinued operations:

– Hong Kong

– Singapore

– Vietnam

– Macau

– PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter–segment transfers are carried out at prices mutually agreed between the parties.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

– Interests on other loans

– Loss on disposal of subsidiaries

– Corporate income and expenses which are not directly attributable to the business activities or any operating segment are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude other loans and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.23 Related parties

For the purpose of these consolidated financial statements, 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 is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) The party is an entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities 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 the employees of 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).

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6.1 Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6.2 Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories amounting to HK$10,249,000 as at 31 December 2021 (2020: HK$11,561,000). The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. As at 31 December 2021, the Group has made a reversal of provision for inventories of HK$22,000 (2020: provision for inventories HK$1,255,000).

6.3 Loss allowance for trade and other receivables

This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECL of trade and other receivables during their expected lives. Details of the loss allowance for trade and other receivables are disclosed in note 23, note 24 and note 43(b).

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

6.4 Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment or reversal of impairment for non-financial assets amounting to HK$296,220,000 as at 31 December 2021 (2020: HK$271,861,000). Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for differences in condition in order to determine the fair value. As at 31 December 2021, the Group has made impairment loss for property, plant and equipment of HK$Nil (2020: HK$59,000) and right-of-use assets of HK$Nil (2020: HK$5,641,000) respectively.

6.5 Impairment of properties under development

The Group assesses the carrying amounts of properties under development according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services from which are subject to risks and returns that are different from those of the other operating segments.

The Plantation Business was discontinued during the year ended 31 December 2019. Information about the discontinued operations is provided in note 13.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude other loans and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

7. SEGMENT INFORMATION *(Continued)*

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below:

	Continuing operations								
	Construction Equipment Business							Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
Year ended 31 December 2021									
Revenue									
From external customers	43,098	83,301	–	–	88,345	–	214,744	–	214,744
From inter segment	9,177	–	–	–	–	(9,177)	–	–	–
Reportable segment revenue	52,275	83,301	–	–	88,345	(9,177)	214,744	–	214,744
Reportable segment profit/(loss)	441	11,683	1,899	22	11,524	–	25,569	(99)	25,470
Interest on other loans									(4,150)
Unallocated corporate expenses									
– Corporate staff costs									(16,100)
– Others									(1,210)
Profit for the year									4,010

7. SEGMENT INFORMATION *(Continued)*

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below: *(Continued)*

	Continuing operations								
	Construction Equipment Business							Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
Other reportable segment information									
Interest income	–	–	–	–	4	–	4	–	4
Interest expenses	(1,482)	(2,433)	–	–	(2,222)	–	(6,137)	–	(6,137)
Depreciation of non-financial assets	(17,515)	(26,600)	–	–	(19,115)	–	(63,230)	–	(63,230)
Amortisation of intangible assets	(687)	–	–	–	(1,096)	–	(1,783)	–	(1,783)
Gain on disposal of property, plant and equipment	37	–	–	–	–	–	37	–	37
Written-off of property, plant and equipment	–	(437)	–	–	–	–	(437)	–	(437)
Income tax expense	(332)	–	–	–	(2,707)	–	(3,039)	–	(3,039)
Additions to non-current segment assets during the year	16,465	36,997	–	–	43,671	–	97,133	–	97,133

	Continuing operations								
	Construction Equipment Business							Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
At 31 December 2021									
Reportable segment assets	85,140	206,305	–	3	136,623	(4,428)	423,643	119,412	543,055
Other unallocated segment assets									6,961
Total assets									550,016
Reportable segment liabilities	69,830	79,841	–	6	125,002	(326)	274,353	56,277	330,630
Other loans									83,000
Other unallocated segment liabilities									4,150
Total liabilities									417,780

7. SEGMENT INFORMATION *(Continued)*

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below: *(Continued)*

	Continuing operations									Discontinued operations			
	Construction Equipment Business							Property Development Business		Plantation Business			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Sub-total HK$'000	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2020													
Revenue													
From external customers	41,792	53,009	–	–	48,260	–	143,061	–	143,061	–	–	–	143,061
From inter segment	18,016	–	–	–	–	(18,016)	–	–	–	–	–	–	–
Reportable segment revenue	59,808	53,009	–	–	48,260	(18,016)	143,061	–	143,061	–	–	–	143,061
Reportable segment (loss)/profit	(31,302)	(3,520)	(120)	(42)	5,675	101	(29,208)	(1,672)	(30,880)	(1,234)	–	(1,234)	(32,114)
Loss on disposal of subsidiaries									–			(68,272)	(68,272)
Interest on other loans									(12,617)			–	(12,617)
Unallocated corporate expenses													
– Corporate staff costs									(13,314)			–	(13,314)
– Others									(6,228)			–	(6,228)
Loss for the year									(63,039)			(69,506)	(132,545)

7. SEGMENT INFORMATION *(Continued)*

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below: *(Continued)*

	Continuing operations									Discontinued operations			
	Construction Equipment Business							Property Development Business		Plantation Business			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Sub-total HK$'000	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000	Total HK$'000
Other reportable segment information													
Interest income	–	2	–	–	2	–	4	–	4	–	–	–	4
Interest expenses	(1,324)	(1,825)	–	–	(646)	–	(3,795)	(1,377)	(5,172)	–	–	–	(5,172)
Depreciation of non–financial assets	(24,842)	(22,978)	–	–	(5,071)	–	(52,891)	–	(52,891)	–	–	–	(52,891)
Amortisation of intangible assets	–	–	–	–	(822)	–	(822)	–	(822)	–	–	–	(822)
Gain on disposal of property, plant and equipment	3	–	–	–	–	–	3	–	3	–	–	–	3
(Provision for)/reversal of provision for inventories	(1,360)	105	–	–	–	–	(1,255)	–	(1,255)	–	–	–	(1,255)
Impairment loss on trade receivables, net	(597)	(21)	–	–	–	–	(618)	–	(618)	–	–	–	(618)
Written–off of trade receivables	(729)	(18)	–	–	–	–	(747)	–	(747)	–	–	–	(747)
Impairment loss on property, plant and equipment	(59)	–	–	–	–	–	(59)	–	(59)	–	–	–	(59)
Impairment loss on right–of–use assets	(5,641)	–	–	–	–	–	(5,641)	–	(5,641)	–	–	–	(5,641)
Income tax expense	–	–	–	–	(550)	–	(550)	–	(550)	–	–	–	(550)
Additions to non–current segment assets during the year	8,158	38,126	–	–	48,783	–	95,067	–	95,067	–	–	–	95,067

7. SEGMENT INFORMATION *(Continued)*

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below: (Continued)

	Continuing operations									Discontinued operations			
	Construction Equipment Business							Property Development Business		Plantation Business			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Sub-total HK$'000	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000	Total HK$'000
At 31 December 2020													
Reportable segment assets	96,809	193,598	48	148	83,868	(2,510)	371,961	99,075	471,036	–	–	–	471,036
Other unallocated segment asset									14,617			–	14,617
Total assets									485,653			–	485,653
Reportable segment liabilities	61,761	76,998	581	43	76,070	–	215,453	40,649	256,102	–	–	–	256,102
Other loans									83,000			–	83,000
Other unallocated segment liabilities									19,275			–	19,275
Total liabilities									358,377			–	358,377

7. SEGMENT INFORMATION *(Continued)*

(b) In the following table, revenue is disaggregated by primary geographical markets of which the external customers from. The table also includes a reconciliation of the disaggregated revenue within the Group's reportable segment.

	For the year ended 31 December Continuing operations					
	Construction Equipment Business (Note)		Property Development Business		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Primary geographical markets						
Hong Kong (place of domicile)	41,064	38,401	–	–	41,064	38,401
PRC	88,344	48,261	–	–	88,344	48,261
Singapore	77,452	50,136	–	–	77,452	50,136
Australia	1,822	–	–	–	1,822	–
France	1,651	–	–	–	1,651	–
Israel	1,406	–	–	–	1,406	–
Thailand	1,041	66	–	–	1,041	66
Vietnam	1,026	122	–	–	1,026	122
Korea	938	839	–	–	938	839
Holland	–	2,596	–	–	–	2,596
United Arab Emirates	–	2,486	–	–	–	2,486
Sri Lanka	–	89	–	–	–	89
Indonesia	–	65	–	–	–	65
Total	214,744	143,061	–	–	214,744	143,061

Note: The revenue under Construction Equipment Business is derived from the reportable segments in Hong Kong, PRC and Singapore.

7. SEGMENT INFORMATION *(Continued)*

The following table presents non-current assets (excluding deferred tax assets and non-current trade receivables) by location of assets.

Continuing operations

Non-current assets

	Hong Kong (domicile) HK$'000	Singapore HK$'000	PRC HK$'000	Total HK$'000
At 31 December 2021	**59,072**	**164,346**	**72,966**	**296,384**
At 31 December 2020	67,406	161,294	44,258	272,958

The Group's revenue from external customers for different products and services is set out in note 8.

Information about major customer

During the year ended 31 December 2021, revenue from customer A of the Group's PRC segment amounting to approximately HK$26,809,000 (2020: HK$17,729,000), which represented approximately 12.5% of the Group's consolidated revenue in continuing operations (2020: 12.4%).

8. REVENUE

Revenue from the Group's principal activities as set out in note 1 during the years are as follows:

	2021 HK$'000	2020 HK$'000
Continuing operations		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of machinery	11,716	12,171
Sales of spare parts	1,780	2,025
Service income	30,879	27,715
	44,375	41,911
Revenue from other sources:		
Rental income from leasing of owned plant and machinery and right-of-use assets	111,407	64,358
Rental income from subleasing of short term leases related to plant and machinery	58,962	36,792
	170,369	101,150
	214,744	143,061

8. REVENUE *(Continued)*

In following table, revenue is disaggregated by timing of revenue recognition. The table also includes revenue from other sources and a reconciliation of the disaggregated revenue within the Group's reportable segment.

	For the year ended 31 December	
	Continuing operations	
	2021	2020
	HK$'000	HK$'000
Construction Equipment Business		
Timing of revenue recognition under HKFRS 15		
At a point in time	**13,496**	14,196
Transferred over time	**30,879**	27,715
	44,375	41,911
Revenue from other sources	**170,369**	101,150
	214,744	143,061

9. OTHER INCOME AND GAINS

	2021 HK$'000	2020 HK$'000
Continuing operations		
Bank interest income	4	4
Exchange gain, net	–	872
Compensation received	288	568
Dividend income *(note (a))*	2,080	–
Investment income *(note (a)) (note (a)(i))*	4,129	–
Gain on disposal of property, plant and equipment	37	3
Government grants *(note (b))*	445	4,097
Sale of scrap materials	209	76
Others	527	209
	7,719	5,829

Notes:

(a) Bond investment proceeds and dividend were received by the Group during the year. All bonds were sold before 31 December 2021.

(a)(i) Investment income represents gain on disposal of bonds during the year ended 31 December 2021.

(b) In 2021, the Group received levy rebates which was introduced by the Ministry of Manpower of Singapore to help with sectors tide over the manpower shortage challenges caused by COVID-19.

In 2020, the Group received grants from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") and grants received from the Job Support Scheme to support COVID-19 epidemic launched by the Ministry of Manpower of Singapore.

10. OTHER OPERATING EXPENSES

	2021 HK$'000	2020 HK$'000
Continuing operations		
Depreciation of property, plant and equipment:		
– Owned assets	33,863	29,473
– Right-of-use-assets	29,367	23,418
Amortisation of intangible assets	1,783	822
	65,013	53,713

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest charges on financial liabilities stated at amortised cost:		
– Borrowings	1,866	783
– Loan from intermediate holding company	574	–
– Other loan interests	4,150	12,617
– Lease liabilities	3,697	2,943
– Amounts due to related companies	–	1,446
	10,287	17,789

12. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Continuing operations		
Auditor's remuneration	1,159	1,149
Cost of inventories recognised as an expense	7,691	7,978
Amortisation of intangible assets	1,783	822
Depreciation of property, plant and equipment	33,863	29,473
Depreciation of right-of-use assets	29,367	23,418
Impairment loss on trade receivables, net	1,729	618
Written-off of property, plant and equipment	437	–
Written-off of trade receivables	–	747
Gain on disposal of property, plant and equipment	(37)	(3)
Impairment loss on property, plant and equipment	–	59
Impairment loss on right-of-use assets	–	5,641
(Reversal of provision)/provision for inventories, net	(22)	1,255
Lease charges in respect of short term leases	35,843	25,826
Income from subleasing right-of-use assets	(58,962)	(36,792)
Income from leasing of owned plant and machinery and right-of-use assets	(111,407)	(64,358)
Employee costs (including Directors' remuneration *((note 17) (note i))*		
– Wages, salaries and bonuses	41,259	43,023
– Contribution to defined contribution plans	2,963	1,986
	44,222	45,009
Net foreign exchange loss/(gain)	1,691	(872)

Note (i):

Employee costs (including Directors' remuneration) had been included in cost of sales and services of approximately HK$6,527,000 (2020: approximately HK$7,527,000) and administrative expenses of approximately HK$37,695,000 (2020: approximately HK$37,482,000).

13. DISCONTINUED OPERATIONS

Management of the Company have repeatedly made verbal and written requests to Guangdong Dahe and paid physical on-site visits, the Company has been refused access to Guangdong Dahe's plantation site from 28 December 2019. The Company has been unable to have access to the complete sets of books and records together with supporting documents of Guangdong Dahe since 1 December 2019. The financial results of Guangdong Dahe for the period from 1 January 2019 to 30 November 2019 is included in the consolidated financial statements of the Group for the year ended 31 December 2019. In addition, the assets and liabilities of the Guangdong Dahe are de-consolidated from the statement of financial position of the Group and separately shown as assets classified as held for sale and liabilities associated with assets held for sale, respectively. On 20 December 2019, the Board of the Company resolved to dispose of the Plantation Business.

On 24 February 2020, the Group and a purchaser, who is one of the shareholder of Best Earnest Investments Limited (佳誠投資有限公司) ("Best Earnest") and the Company, (the "Purchaser") entered into an agreement, pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to acquire 51% shares for a total consideration of HK$230,000,000 (the "Disposal"). The Disposal was completed on 24 June 2020 ("Disposal Date").

For the details of the Disposal, please refer to the Company's announcements dated 24 February 2020, 6 March 2020, 19 March 2020, 22 May 2020, 8 July 2020 and 10 July 2020 and its circular dated 7 May 2020, respectively.

13. DISCONTINUED OPERATIONS *(Continued)*

Analysis of loss for the period from discontinued operations

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below.

	From 1 January 2020 to 24 June 2020 HK$'000
Loss for the period from discontinued operations	(1,234)
Other comprehensive income/(loss)	
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translating foreign operations	(8,481)
Translation reserve released upon disposal of subsidiaries	9,042
Other comprehensive income for the period from discontinued operations	561
Total comprehensive loss for the period from discontinued operations	(673)
Operating cash flows	(1,594)
Investing cash flows	–
Financing cash flows	36
Total cash outflows	(1,558)

The carrying amounts of the assets and liabilities of Best Earnest and its subsidiaries (the "Best Earnest Group"), mainly included Guangdong Dahe, had been classified and accounted for as a disposal group held for sale as at 31 December 2019. The disposal of Best Earnest Group was completed on 24 June 2020.

14. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Continuing operations		
Current tax		
– Provision for HK profits tax	332	–
– Provision for PRC enterprise income tax	2,707	633
– Over provision in respect of prior year	–	(83)
Total income tax expense	3,039	550

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Singapore and Vietnam profits tax, Macau Complementary Tax have not been provided as the Group has either no estimated assessable profits in respective jurisdictions or estimated assessable profits are wholly absorbed by tax losses brought forward from previous years.

For subsidiaries of the Group engaged in construction equipment business in the PRC, the provision for the EIT has been provided at the applicable tax rate of 25% on the estimated assessable profits of the Group.

For subsidiaries of the Group engaged in construction equipment business in Hong Kong, under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. No such provision in 2020 as the respective subsidiaries had no assessable profit in that year.

14. INCOME TAX EXPENSE *(Continued)*

A reconciliation of income tax expense and accounting profit/(loss) at applicable tax rate is as follows:

	2021 HK$'000	2020 HK$'000
Profit/(Loss) before income tax		
– From continuing operations	7,049	(62,489)
– From discontinued operations	–	(69,506)
	7,049	(131,995)
Tax calculated at the domestic tax rate of 16.5%	1,164	(21,779)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	941	195
Tax effect of non-deductible expenses	6,004	21,450
Tax effect of non-taxable income	(3,975)	(482)
Tax effect of tax losses not recognised	1,102	2,917
Tax effect of recognition of tax losses previously not recognised	(1,851)	(970)
Tax effect of utilisation of tax losses previously not recognised	(346)	(540)
Tax effect of tax exemptions granted to a PRC subsidiary	–	(158)
Over provision in respect of prior years	–	(83)
Income tax expense	3,039	550

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

16. EARNINGS/(LOSS) PER SHARE

(i) Continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on following data:

	2021	2020
Profit/(loss)		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share (HK$'000)	4,478	(131,900)
Number of shares		
Weighted average number of ordinary shares	1,060,000,000	1,060,000,000
Basic and diluted earnings/(loss) per share (HK cents)	0.42	(12.44)

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2020 and 2021.

(ii) Continuing operations

	2021	2020
Profit/(loss) for the year attributable to owners of the Company (HK$'000)	4,478	(131,900)
Less: Loss for the year from discontinued operations (HK$'000)	–	(68,901)
	4,478	(62,999)
Basic and diluted earnings/(loss) per share from continuing operations (HK cents)	0.42	(5.94)

(iii) Discontinued operations

	2021	2020
Loss for the year attributable to owners of the Company (HK$'000)	–	(68,901)
Basic and diluted loss per share from discontinued operations (HK cents)	–	(6.50)

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

(a) Directors' remuneration

	Directors' fee HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2021					
Executive directors					
Mr. Zhao Yi	–	300	–	15	315
Mr. Zhou Puzhang *(notes (i) and (v))*	–	46	–	2	48
Ms. Lee Kin Ping Gigi *(note (i))*	–	92	–	5	97
Mr. Kwok Ying Shing *(note (i))*	–	46	–	2	48
Mr. Guo Peineng *(note (ii))*	–	54	–	3	57
Mr. Chen Huajie *(note (ii))*	–	54	–	3	57
Ms. Kwok Hiu Yan *(notes (i) and (iii))*	–	76	–	4	80
Mr. Chen Zefeng *(notes (i) and (iv))*	–	46	–	3	49
Independent non-executive directors					
Mr. Li Yongjun	204	–	–	–	204
Mr. Xu Xiaowu	204	–	–	–	204
Mr. Diao Yingfeng	204	–	–	–	204
	612	714	–	37	1,363

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Directors' fee HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2020					
Executive directors					
Mr. Guo Peineng *(note (ii))*	–	1,498	–	18	1,516
Mr. Chen Huajie *(note (ii))*	–	1,864	–	18	1,882
Mr. Zhao Yi	–	2,668	–	23	2,691
Independent non-executive directors					
Mr. Li Yongjun	198	–	–	–	198
Mr. Xu Xiaowu	198	–	–	–	198
Mr. Diao Yingfeng	198	–	–	–	198
	594	6,030	–	59	6,683

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

* Being "salaries, allowances and other benefits" paid or payable in connection with the management of the affairs of the Group.

Notes:

(i) Appointed on 16 July 2021

(ii) Resigned on 16 July 2021

(iii) Resigned on 3 December 2021

(iv) Resigned on 22 December 2021

(v) Resigned on 28 January 2022

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group included 0 director (2020: 3 directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5 (2020: 2) non-director highest paid individuals for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other emoluments	5,699	2,664
Discretionary bonuses	242	240
Defined contribution plans	395	87
	6,336	2,991

The emoluments of non-director highest paid individuals fell within the following bands:

	2021	2020
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	3	1
HK$1,500,001 to HK$2,000,000	1	1

During the year ended 31 December 2021, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

(c) Senior management's emoluments

The emoluments paid or payable to 13 (2020: 9) members of senior management whose emoluments fell within the following bands:

	2021	2020
Nil to HK$1,000,000	13	4
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	2
HK$2,500,001 to HK$3,000,000	–	1

18. PROPERTY, PLANT AND EQUIPMENT

	Building at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2020							
Cost	46,400	300,162	2,283	3,871	6,830	5,912	365,458
Accumulated depreciation and impairment losses	(14,318)	(204,215)	(1,512)	(2,550)	(5,982)	(450)	(229,027)
Net carrying amount	32,082	95,947	771	1,321	848	5,462	136,431
Year ended 31 December 2020							
Opening net carrying amount	32,082	95,947	771	1,321	848	5,462	136,431
Additions	–	28,450	155	278	717	–	29,600
Transfer to inventories	–	(6,658)	–	–	–	–	(6,658)
Transfer from Right-of-use assets *(note 19)*	–	8,715	–	–	–	–	8,715
Depreciation	(1,547)	(25,851)	(205)	(342)	(605)	(923)	(29,473)
Impairment loss	–	(59)	–	–	–	–	(59)
Exchange differences	228	79	–	(76)	(1)	24	254
Closing net carrying amount	30,763	100,623	721	1,181	959	4,563	138,810
At 31 December 2020							
Cost	46,628	310,030	2,438	4,073	7,039	5,936	376,144
Accumulated depreciation and impairment losses	(15,865)	(209,407)	(1,717)	(2,892)	(6,080)	(1,373)	(237,334)
Net carrying amount	30,763	100,623	721	1,181	959	4,563	138,810
Year ended 31 December 2021							
Opening net carrying amount	30,763	100,623	721	1,181	959	4,563	138,810
Additions	–	87,922	–	262	213	348	88,745
Transfer to inventories	–	(3,388)	–	–	–	–	(3,388)
Transfer from Right-of-use assets *(note 19)*	–	1,148	–	–	–	–	1,148
Depreciation	(2,096)	(29,683)	(203)	(415)	(538)	(928)	(33,863)
Written-off	–	(437)	–	–	–	–	(437)
Disposal	–	(2,806)	–	(68)	(16)	–	(2,890)
Exchange differences	(499)	7	–	49	(2)	(46)	(491)
Closing net carrying amount	28,168	153,386	518	1,009	616	3,937	187,634
At 31 December 2021							
Cost	46,129	370,124	2,438	4,248	6,324	6,238	435,501
Accumulated depreciation and impairment losses	(17,961)	(216,738)	(1,920)	(3,239)	(5,708)	(2,301)	(247,867)
Net carrying amount	28,168	153,386	518	1,009	616	3,937	187,634

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2021, the Group's banking facilities were secured by a building of the Group carried at cost with net carrying amount of approximately HK$28,168,000 (2020: approximately HK$30,763,000) and property, plant and equipment of approximately HK$6,974,000 (2020: HK$6,773,000) (note 28).

At 31 December 2021, the Group's other borrowings were secured by property, plant and equipment of approximately HK$21,375,000 (2020: HK$17,028,000) (note 28).

The maturity analysis of the lease payment is set out in note 43(d).

Property, plant and equipment leased out under operating leases

The Group entered into several arrangements to lease certain machineries included in property, plant and equipment to third parties from 1 to 2 years. There are no early termination option, extension option and renewal option in the contract. The Group considered that the lease arrangements are operating leases and the movement of the equipment are detailed as below:

	Plant and machinery HK$'000
At 31 December 2020	
Cost	310,030
Accumulated depreciation	(209,407)
At 1 January 2021	100,623
Year ended 31 December 2021	
Opening net carrying amount	**100,623**
Additions	**87,922**
Disposal	**(2,806)**
Depreciation	**(29,683)**
Transfer to inventories	**(3,388)**
Transfer from right-of-use assets	**1,148**
Written-off	**(437)**
Exchange differences	**7**
Closing net carrying amount	**153,386**
At 31 December 2021	
Cost	**370,124**
Accumulated depreciation	**(216,738)**
At 31 December 2021	**153,386**

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment leased out under operating leases *(Continued)*

	Plant and machinery HK$'000
At 31 December 2019	
Cost	300,162
Accumulated depreciation	(204,215)
At 1 January 2020	95,947
Year ended 31 December 2020	
Opening net carrying amount	95,947
Additions	28,450
Depreciation	(25,851)
Transfer to inventories	(6,658)
Transfer from right-of-use assets	8,715
Impairment loss	(59)
Exchange differences	79
Closing net carrying amount	100,623
At 31 December 2020	
Cost	310,030
Accumulated depreciation	(209,407)
At 31 December 2020	100,623

19. RIGHT-OF-USE ASSETS

	2021 **HK$'000**	2020 HK$'000
Motor vehicle	–	226
Office and warehouse	4,085	9,285
Office equipment	148	–
Land	9,217	9,809
Plant and machinery	91,704	111,265
Total	105,154	130,585

During the year ended 31 December 2021, the total additions to right-of-use assets amounting to approximately HK$5,475,000 (2020: HK$61,082,000). The details in relation to these leases are set out in note 30.

The maturity analysis of the lease payment is set out in note 43(d).

19. RIGHT-OF-USE ASSETS *(Continued)*

Right-of-use assets leased out under operating leases

The Group entered into several arrangements to lease all machineries included in right-of-use assets to third parties from 1 to 2 years amounting to HK$91,704,000 (2020: HK$111,265,000). The Company considered that the lease arrangements are operating leases.

	Motor vehicle HK$'000	Office and warehouse HK$'000	Land HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
As at 1 January 2021	2,160	17,881	10,686	–	162,234	192,961
Additions	–	–	–	171	5,304	5,475
Transfer to property, plant and equipment *(note 18)*	–	–	–	–	(1,745)	(1,745)
Exchange differences	(35)	38	(174)	–	(213)	(384)
At 31 December 2021	2,125	17,919	10,512	171	165,580	196,307
Accumulated depreciation and impairment loss						
At 1 January 2021	1,934	8,596	877	–	50,969	62,376
Charge for the year	222	5,216	432	23	23,474	29,367
Transfer to property, plant and equipment *(note 18)*	–	–	–	–	(597)	(597)
Exchange differences	(31)	22	(14)	–	30	7
At 31 December 2021	2,125	13,834	1,295	23	73,876	91,153
Net book amount						
At 31 December 2021	–	4,085	9,217	148	91,704	105,154

19. RIGHT-OF-USE ASSETS *(Continued)*

Right-of-use assets leased out under operating leases *(Continued)*

	Motor vehicle HK$'000	Office and warehouse HK$'000	Land HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
As at 1 January 2020	2,142	11,280	10,595	117,286	141,303
Additions	–	6,539	–	54,543	61,082
Transfer to property, plant and equipment *(note 18)*	–	–	–	(12,620)	(12,620)
Exchange differences	18	62	91	3,025	3,196
At 31 December 2020	2,160	17,881	10,686	162,234	192,961
Accumulated depreciation and impairment loss					
At 1 January 2020	1,490	3,477	434	31,109	36,510
Charge for the year	416	5,095	423	17,484	23,418
Transfer to property, plant and equipment *(note 18)*	–	–	–	(3,905)	(3,905)
Exchange differences	28	24	20	640	712
Impairment loss	–	–	–	5,641	5,641
At 31 December 2020	1,934	8,596	877	50,969	62,376
Net book amount					
At 31 December 2020	226	9,285	9,809	111,265	130,585

20. INTANGIBLE ASSETS

	Construction licenses HK'000
At 1 January 2020	
Cost	–
Accumulated amortisation	–
At 1 January 2020	–
Year ended 31 December 2020	
Opening net carrying amount	–
Acquisition of subsidiaries	3,288
Amortisation	(822)
Closing net carrying amount	2,466
At 31 December 2020 and 1 January 2021	
Cost	3,288
Accumulated amortisation	(822)
At 31 December 2020 and 1 January 2021	2,466
Year ended 31 December 2021	
Opening net carrying amount	2,466
Acquisition of subsidiaries (note 38)	2,749
Amortisation	(1,783)
Closing net carrying amount	3,432
At 31 December 2021	
Cost	6,037
Accumulated amortisation	(2,605)
At 31 December 2021	3,432

21. PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
Within normal operating cycle included under current assets:		
Land use rights	85,900	85,900
Construction costs	28,415	9,061
Interest capitalised	1,623	637
Total	115,938	95,598

The properties under development are all located in Hong Kong. No provision for impairment was made during year ended 31 December 2021. The properties under development are expected to be completed and available for sale in more than 12 months.

The properties under development include costs of acquiring rights to use certain lands for property development over fixed periods. Land use rights are held on leases of 50 years.

As at 31 December 2021, HK$85,900,000 (2020: HK$85,900,000) was pledged as collateral for bank borrowings (note 28).

22. INVENTORIES AND CONSUMABLES

	2021 HK$'000	2020 HK$'000
Cranes and spare parts	12,982	14,316
Less: provision for inventories	(2,733)	(2,755)
	10,249	11,561

The movement in the provision for inventories during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	2,755	1,500
Impairment loss recognised	–	1,255
Net exchange differences	(22)	–
At 31 December	2,733	2,755

The cost of inventories included in cost of sales during the year amounting to approximately HK$7,691,000 (for the year ended 31 December 2020: approximately HK$7,978,000). These were recognised and included in "cost of sales" in the consolidated statement of comprehensive income. Reversal of provision for inventories for the year ended 31 December 2021 amounted to approximately HK$22,000 (2020: provision for inventories HK$1,255,000).

23. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Non-current portion:		
Trade receivables, gross *(note)*	–	302
Less: Loss allowance	–	(4)
Trade receivables, net	–	298
Current portion:		
Trade receivables, gross	91,937	65,770
Less: Loss allowance	(3,279)	(1,546)
	88,658	64,224
Trade receivables, net	88,658	64,522

Note: It represented retention receivables.

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 90 days (2020: 0 to 60 days) or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
0 - 30 days	29,197	17,101
31 - 60 days	5,716	12,597
61 - 90 days	5,802	9,669
Over 90 days	47,943	25,155
	88,658	64,522

23. TRADE RECEIVABLES *(Continued)*

The movement in the loss allowance for trade receivables during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**1,550**	930
Impairment loss recognised	**1,745**	625
Recovery of impairment	**(16)**	(7)
Net exchange differences	**–**	2
At 31 December	**3,279**	1,550

During the year ended 31 December 2021, included in impairment loss recognised for trade receivables of approximately HK$1,081,000 (2020: approximately HK$847,000) (note 43(b)) represented loss allowance for credit-impaired trade receivables. The credit-impaired trade receivables are due from customers experiencing dispute that were in default or past due event.

During the year ended 31 December 2021, there was a written-off of trade receivables of approximately HK$Nil (2020: HK$747,000) and included in administrative expenses.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 43(b).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Non-current assets		
Deposit *(note)*	164	1,097
	164	1,097
Current assets		
Prepayments	5,273	5,057
Deposits	4,667	2,170
Other receivables	2,010	3,733
	11,950	10,960
	12,114	12,057

Note: The deposit represented deposit for acquisition of property, plant and equipment.

The Group did not hold any collateral as security or other credit enhancements over the other receivables.

The movement in the loss allowance for other receivables during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	9	9
Impairment loss recognised	–	–
At 31 December	9	9

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 43(b).

25. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and in hand	**26,356**	29,953

The Group had cash and cash equivalents denominated in RMB of approximately RMB848,000 (2020: approximately RMB1,319,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash and cash equivalents represent bank deposits and cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposits rates as set out in note 43(a). The Group's exposures to foreign currency risk were set out in note 43(c).

26. TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**61,703**	58,704

The credit period is, in general, 30 to 90 days (2020: 30 to 60 days) or based on the terms agreed in purchase agreements.

The ageing analysis of trade payables as at the reporting date, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
0 - 30 days	**12,013**	28,526
31 - 60 days	**2,443**	11,335
61 - 90 days	**10,127**	5,711
Over 90 days	**37,120**	13,132
	61,703	58,704

The fair values of trade payables which are expected to be repaid within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

27. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Receipt in advance from customers	25,034	16,052
Accruals *(note (i))*	34,093	29,027
Accrued construction cost	2,500	5,100
Other payables *(notes (ii), (iii))*	22,027	10,762
	83,654	60,941
Contract liabilities	3,840	4,720
	87,494	65,661

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

Notes:

(i) At 31 December 2021, included in accruals of approximately HK$23,425,000 (2020: HK$19,275,000) represented accrued other loan interest payable, of which the other loan are repayable on demand (note 29).

(ii) At 31 December 2021, included in other payables of approximately Singapore Dollar ("S$") 82,500 (equivalent to approximately HK$475,000) (2020: S$82,500 (equivalent to approximately HK$483,000)) represented provision for liabilities related to the claim for damages and consequential economic loss by a customer against the Group.

(iii) At 31 December 2021, included in other payables of S$309,614 (equivalent to approximately HK$1,782,000) (2020: S$300,000 (equivalent to approximately HK$1,755,000)) mainly represented provision for litigation related to the fine of two legal cases of S$90,000 (approximately HK$518,000) and legal expenses of S$100,000 (approximately HK$578,000) and S$40,000 (approximately HK$230,000) respectively.

27. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

The Group has recognised the following revenue, within the scope of HKFRS 15, related contract liabilities:

	At 31 December 2021 HK$'000	At 31 December 2020 HK$'000
Receipt in advance from customers for sales of machinery	3,840	4,720
Contract liabilities	3,840	4,720

The amount of consideration received in advance as prepayments from customers for sales of 4 machineries amounting to HK$3,837,000 are short term as the respective revenue is expected to be recognised within one year when the goods are delivered to customers.

The following table shows the revenue recognised in the current reporting period related to carried-forward contract liabilities:

	2021 HK$'000	2020 HK$'000
For the year ended		
Revenue recognised that was included in the contract liabilities at beginning of year ended – Sales of machinery	2,375	78

The Group's contracts usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

28. BORROWINGS

	2021 HK$'000	2020 HK$'000
Borrowings repayable:		
Within one year	**15,735**	7,797
More than one year, but not exceeding two years	**66,243**	8,489
More than two years, but not exceeding five years	**24,569**	51,665
More than five years	**1**	5,209
	106,548	73,160
Portion classified as current liabilities	**(15,735)**	(7,797)
Non-current portion	**90,813**	65,363

The borrowings denominated in S$ bore interest at variable interest rates at 31 December 2020 and 2021. The effective interest rates of the Group's borrowings were set out in note 43(a).

The borrowings denominated in HK$ bore interest at variable interest rates at 31 December 2020 and 2021. The effective interest rates of the Group's borrowings were set out in note 43(a).

At 31 December 2021, the Group's banking facilities were secured by a building of the Group carried at cost with net carrying amount of approximately HK$28,168,000 (2020: approximately HK$30,763,000), property, plant and equipment of approximately HK$6,974,000 (2020: approximately HK$6,773,000) and land-use right of the Group carried at cost with an amount of approximately HK$85,900,000 (2020: approximately HK$85,900,000) in properties under development.

At 31 December 2021, the Group's other borrowings were secured by property, plant and equipment of approximately HK$21,375,000 (2020: approximately HK$17,028,000).

The carrying values of the Group's borrowing approximate their fair values.

At 31 December 2020 and 2021, the relevant loan agreements of outstanding bank borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

29. OTHER LOANS

On 28 August 2018, the Company entered into an unsecured other loan agreement with Harbour Luck, a shareholder until 29 April 2021, in relation to the loan of HK$173,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for fulfilment of financial obligations of the Group. On 28 August 2018, HK$173,000,000 was drawn down by the Company.

On 30 November 2018, the Company entered into an unsecured other loan agreement with Harbour Luck in relation to the loan of HK$5,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 3 December 2018, HK$5,000,000 was drawn down by the Company.

On 26 February 2019, the Company further entered into an unsecured other loan agreement with Harbour Luck in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 27 February 2019, HK$2,500,000 was drawn down by the Company.

On 24 April 2019, the Company further entered into an unsecured other loan agreement with Harbour Luck in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 25 April 2019, HK$2,500,000 was drawn down by the Company.

On 6 August 2020, the Company entered in to a supplementary agreement with Harbour Luck that Harbour Luck agreed to adjust the annual interest rate from 10% to 5% for loan balance of HK$183,000,000, starting from the date of drawn down, and Harbour Luck agreed to waive the interest receivables from the Company for any parts exceed the reassessed interest receivables. The waiver balance of HK$17,537,000 has been included in the capital reserve of the Company as a deemed contribution from shareholder.

On 10 August 2020, amount of HK$100,000,000 was repaid to Harbour Luck.

Other loans were not secured by any assets of the Group. In the opinion of the Directors, the other loans were granted to the Company on normal commercial terms or better to the Company.

Subsequent to the financial year ended 31 December 2021, financial support is obtained from a former substantial shareholder of the Company for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$23,425,000 respectively as at 31 December 2021 in the next twelve months.

30. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Total minimum lease payments:		
Due within one year	39,529	38,763
Due in the second to fifth years	45,248	31,120
Due after fifth years	–	14,695
	84,777	84,578
Future finance charges on lease liabilities	(10,032)	(9,363)
Present value of lease liabilities	74,745	75,215
Present value of minimum lease payments:		
Due within one year	37,161	36,143
Due in the second to fifth years	37,584	29,448
Due after fifth years	–	9,624
	74,745	75,215
Less: Portion classified as current liabilities	(37,161)	(36,143)
Non-current portion	37,584	39,072

The Group has entered into lease liabilities for right-of-use assets. The average lease term is 1 to 22 years (2020: 1 to 23 years). At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain lease liabilities payables bore interest at fixed interest rates with effective interest rates at 31 December 2021 ranged from 2.7% to 6.2% (2020: 3.5% to 6.2%) per annum. The other lease liabilities bore interest at variable interest rates. The effective interest rates on the Group's lease liabilities as at reporting date were set out in note 43(a).

At 31 December 2020 and 2021, certain lease liabilities of the Group were secured by machinery of approximately HK$58,058,000 (2020: approximately HK$65,494,000) and corporate guarantees executed by the Company and certain subsidiaries.

Lease liabilities are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

During the year ended 31 December 2021, the total cash outflows for the leases are HK$46,095,000 (2020: approximately HK$77,212,000).

30. LEASE LIABILITIES *(Continued)*

The Group has lease contracts for its plant and machineries. The lease terms of all the lease contracts end within 12 months and the Group applies the short-term lease exemption under HKFRS 16. An expense relating to the short-term lease of HK$35,843,000 (2020: HK$25,826,000) was included in cost of sales and services during the year.

Details of the lease activities

As at 31 December 2021 and 2020, the Group has entered into leases for motor vehicles, office equipment, office and warehouse, land and machinery.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases		Range of remaining lease term		Particulars
		2021	2020	**2021**	2020	
Motor vehicles	Motor vehicle at cost in "Right-of-use assets"	**5**	5	**N/A**	1 year	• The contracts contain an option to purchase the motor vehicles at the end of the lease term
Office and warehouse	Office and warehouse in "Right-of-use assets"	**3**	3	**1 year**	1 – 2 years	• N/A
Machinery	Plant and machinery at cost in "Right-of-use assets"	**72**	54	**1-4 years**	1 – 5 years	• 24 contracts contain an option to purchase the machinery at the end of the lease term
Land	Land carried at cost in "Right-of-use assets"	**1**	1	**22 years**	23 years	• N/A
Office equipment	Office equipment at cost in "Right-of-use assets"	**1**	0	**5 years**	N/A	• N/A

31. DEFERRED TAX

The balance on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000
At 1 January 2020, 31 December 2020 and 31 December 2021	(2,197)

The balance on deferred tax assets is as follows:

	Deferred tax assets attributable to tax losses HK$'000
At 1 January 2020, 31 December 2020 and 31 December 2021	101

Deferred tax asset in respect of tax losses has not been recognised in the consolidated financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounting to approximately HK$61,612,000 (2020: approximately HK$68,249,000), can be carried forward indefinitely under the current tax legislation.

Pursuant to the PRC tax law and its rules and regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. 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 the PRC and the jurisdiction of the foreign investors.

At 31 December 2020 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2020 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2020 and 2021.

32. SHARE CAPITAL

	2021 Number of Shares '000	2021 Amount HK$'000	2020 Number of Shares '000	2020 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January, 31 December	200,000,000	2,000,000	200,000,000	2,000,000
Issued and fully paid:				
At 1 January, 31 December	1,060,000	10,600	1,060,000	10,600

33. RESERVES

33.1 Share premium

The share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

33.2 Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. During the year, appropriations were made by such subsidiaries to the statutory reserves accordingly.

The statutory reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Group is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

33.3 Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

33. RESERVES *(Continued)*

33.4 Capital reserve

The capital reserve represented deemed contribution from the immediate and ultimate holding company as a waiver of interest payable of previous shareholder's loans. For details, please refer to note 29.

33.5 Translation reserve

Gain/(loss) on retranslating the net assets of foreign operations into Hong Kong dollars.

33.6 Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company in prior year.

Group

Details of the movements on the Group's reserve are set out in the consolidated statement of changes in equity.

Company

	Share premium HK$'000	**Contributed surplus** HK$'000	**Capital reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 January 2020	346,824	41,572	–	(126,821)	261,575
Loss and total comprehensive loss for the year	–	–	–	(33,881)	(33,881)
Deemed contribution from a shareholder	–	–	17,537	–	17,537
Balance at 31 December 2020 and 1 January 2021	**346,824**	**41,572**	**17,537**	**(160,702)**	**245,231**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(132,616)**	**(132,616)**
Balance at 31 December 2021	**346,824**	**41,572**	**17,537**	**(293,318)**	**112,615**

34. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. At 31 December 2020 and 2021, no option has been granted by the Company under the Share Option Scheme since its adoption.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		544	1,342
Right-of-use assets		1,164	3,161
Investments in subsidiaries		5	2
		1,713	4,505
Current assets			
Amounts due from subsidiaries		269,741	351,880
Deposits and prepayments		2,822	1,596
Cash and cash equivalents		–	14,616
		272,563	368,092
Current liabilities			
Accruals		24,974	21,107
Amounts due to subsidiaries		41,195	9,376
Bank overdraft		645	–
Lease liabilities		1,247	2,036
Other loans		83,000	83,000
		151,061	115,519
Net current assets		121,502	252,573
Total assets less current liabilities		123,215	257,078
Non-current liabilities			
Lease liabilities		–	1,247
Net assets		123,215	255,831
EQUITY			
Share capital	*32*	10,600	10,600
Reserves	*33*	112,615	245,231
Total equity		123,215	255,831

Zhao Yi
Executive Director

Lee Kin Ping Gigi
Executive Director

36. INVESTMENTS IN SUBSIDIARIES

At 31 December 2020 and 2021, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2021	Effective interest held by the Company 2020	Principal activities
Interests held directly							
Beyond Vision Ventures Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Chief Key Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Lucky Boom Investments Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Blissful Cypress Limited		Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Jade Hover Limited		Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Jubilee Path Limited	*(ii)*	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	–	Investment holding
Soar Cloud Limited	*(ii)*	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	–	Investment holding
Huacui Limited	*(ii)*	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	–	Investment holding
Rentai Limited	*(ii)*	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	–	Investment holding

36. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	*Notes*	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2021	2020	Principal activities
Interests held indirectly							
Chief Strategy Limited		Limited liability company	BVI/Hong Kong	300 ordinary shares of US$1 each	100%	100%	Investment holding
Hover Ascend Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Inactive
Gold Lake Holdings Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Manta Engineering and Equipment Company, Limited		Limited liability company	Hong Kong	HK$24,014,366	100%	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited		Limited liability company	Hong Kong	HK$36,094,913	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited		Limited liability company	Hong Kong	HK$10,875,287	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Engineering and Equipment (Macau) Company Limited		Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	100%	Inactive
Manta Equipment (S) Pte Ltd		Limited liability company	Singapore	10,000,000 ordinary shares of S$1 each	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Services (S) Pte Limited		Limited liability company	Singapore	10,000 ordinary shares of S$1 each	100%	100%	Inactive
Eagle Legend Equipment China Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Inactive
敏達器械工程(深圳)有限公司	*(iii)*	Limited liability company	PRC	RMB10,000,000	100%	100%	Trading in construction machinery and spare parts

36. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2021	2020	Principal activities
Interests held indirectly *(Continued)*							
敏達器械租賃(深圳)有限公司		Limited liability company	PRC	RMB10,000,000	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
敏達器械服務(深圳)有限公司	*(iii)*	Limited liability company	PRC	RMB10,000,000	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
敏達器械設備安裝(深圳)有限公司	*(iii)*	Limited liability company	PRC	RMB40,000,000	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta-Vietnam Construction Equipment Leasing Limited		Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	–	67%	Inactive
Focus Spring Limited	*(iii)*	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1	100%	100%	Inactive
Great Fortune Asia Pacific Limited		Limited liability company	Hong Kong	HK$100	100%	100%	Investment holding
Eagle Legend Engineering Management Consulting Company Limited		Limited liability company	Hong Kong	HK$100	100%	100%	Property development
Kaisa Capital Investment Group Limited	*(ii)*	Limited liability company	Hong Kong	HK$100	100%	–	Inactive
Victor-Oasis Holdings Limited	*(i)*	Limited liability company	Hong Kong	HK$1	100%	–	Inactive
Manta Construction Limited	*(i)*	Limited liability company	Hong Kong	HK$500,000	100%	–	Trading and sub-contracting of construction projects

36. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	*Notes*	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2021	2020	Principal activities
Interests held indirectly *(Continued)*							
Digit Star Limited	*(ii)*	Limited liability company	Hong Kong	HK$1	100%	–	Inactive
Dragon Harmony Limited	*(ii)*	Limited liability company	Hong Kong	HK$1	100%	–	Inactive
Fortune Mart Limited	*(ii)*	Limited liability company	Hong Kong	HK$1	100%	–	Inactive

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Notes:

(i) Acquired during the year ended 31 December 2021.

(ii) Incorporated during the year ended 31 December 2021.

(iii) No paid up share capital as at 31 December 2021.

37. NON-CONTROLLING INTERESTS

Best Earnest, a 51% indirectly-owned subsidiary of the Company has material non-controlling interest was disposed in 2020.

Summarised financial information in relation to the non-controlling interest of Best Earnest, before intra-group eliminations, is presented below:

	From 1 January to 24 June 2020 HK$'000
Revenue	–
Loss for the period (note)	(1,234)
Total comprehensive loss	(1,234)
Loss for the period allocated to non-controlling interest	(605)
Total comprehensive loss allocated to non-controlling interest	(605)
Dividends paid to non-controlling interest	–
Cash flows used in operating activities	(1,594)
Cash flows used in investing activities	–
Cash flows generated from financing activities	36
Net cash outflows	(1,558)

Note: Loss for the period from 1 January 2020 to 24 June 2020 amounting to HK$1,234,000 from the discontinued operations was included in loss for the year ended 31 December 2020.

As disclosed in note 13, on 20 December 2019, the board of directors of the Company resolved to dispose the Plantation Business. The disposal of Best Earnest Group was completed on 24 June 2020.

38. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2021, the Group entered into an agreement to acquire 100% equity interest in Victor-Oasis Holdings Limited and its subsidiary (collectively the "Victor-Oasis Group") from an independent third party, at a total cash consideration of HK$2,750,000. On the acquisition date, it was inactive and had construction licenses. The acquisition was recognised as acquisition of assets. Construction licenses were recognised as intangible assets.

The following table summarises the consideration paid for acquisition, the aggregate amount of fair values of the assets acquired and liabilities assumed of Victor-Oasis Group on 10 February 2021.

	HK$'000
Trade receivables	921
Cash and cash equivalents	1
Trade payables	(921)
Total identifiable net assets at fair value	1
Less: non-controlling interest	–
Identifiable net assets acquired	1
Intangible assets	2,749
Total purchase consideration	2,750
Purchase consideration settled in:	
Cash	2,750
Cash and bank balances in a subsidiary acquired	(1)
Net cash outflow on acquisition of a subsidiary	2,749

The revenue and profit after taxation of HK$9,680,000 and HK$1,982,000 respectively included in the consolidated financial statements were contributed by Victor-Oasis Group from the date of acquisition to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the Group's revenue would have been HK$214,744,000 and profit for the period from continuing operations would have been HK$3,951,000 for the year ended 31 December 2021. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

39. DISPOSAL OF SUBSIDIARIES

As detailed in note 13, the Company had been refused access to Guangdong Dahe's plantation site since 28 December 2019. The Company was unable to have access to the complete sets of books and records together with supporting documents of Guangdong Dahe since 1 December 2019. On 20 December 2019, the board of directors of the Company resolved to dispose the Plantation Business.

On 24 February 2020, the Group and the Purchaser entered into the agreement, pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the shares for a total consideration of HK$230,000,000. The Disposal was completed on the Disposal Date. For details of the Disposal, please refer to the Company's announcements dated 24 February 2020, 6 March 2020, 19 March 2020, 22 May 2020, 8 July 2020 and 10 July 2020 and its circular dated 7 May 2020, respectively. Based on the latest available financial information, the net assets disposed of at the Disposal Date were set out as follows:

	24 June 2020 **HK$'000**
Property, plant and equipment	220,608
Right-of-use assets	1,078
Inventories and consumables	147,465
Biological assets	6,142
Trade receivables	26,154
Prepayments, deposits and other receivables	7,902
Cash and cash equivalents	85,340
Goodwill	74,701
Assets classified as held for sale	569,390
Trade payables	12,458
Receipt in advance, accruals and other payables	10,956
Lease liabilities	1,125
Deferred government grant	8,042
Liabilities associated with assets classified as held for sale	32,581
Net assets classified as held for sale	536,809

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

	HK$'000
Loss on disposal of subsidiaries:	
Consideration received	230,000
Net assets disposed of	(536,809)
Non-controlling interests	248,907
Less: Translation reserve	(9,042)
Less: Transaction costs attributable to the disposal	(1,328)
Net loss on disposal	(68,272)
Cash inflow arising on disposal:	
Consideration received	230,000
Bank balances and cash disposed of	(85,340)
Net cash inflow	144,660

Consideration of HK$230,000,000 was received during the year ended 31 December 2020. The net cash inflow during the year ended 31 December 2020 was HK$144,660,000.

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions are as follows:

Investing activity

Additions to right-of-use assets of approximately HK$5,475,000 (2020: approximately HK$61,082,000) were acquired under lease liabilities during the year ended 31 December 2021.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings HK$'000 *(Note 28)*	Other loans HK$'000 *(Note 29)*	Lease liabilities HK$'000 *(Note 30)*	Total HK$'000
At 1 January 2021	73,160	83,000	75,215	231,375
Changes from cash flows:				
Proceeds from bank borrowings	44,357	–	–	44,357
Repayment of bank borrowings	(11,180)	–	–	(11,180)
Capital element of lease rentals paid	–	–	(6,555)	(6,555)
Total changes from financing cash flows:	33,177	–	(6,555)	26,622
Exchange adjustments:	211		610	821
Other changes:				
Interest arising from lease liabilities	–	–	3,697	3,697
Interest element of lease rental paid classified as operating cash flows	–	–	(3,697)	(3,697)
Entering into new leases during the year	–	–	5,475	5,475
Total other changes	–	–	5,475	5,475
At 31 December 2021	106,548	83,000	74,745	264,293

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Borrowings HK$'000 *(Note 28)*	Other loans HK$'000 *(Note 29)*	Amount due to a related company HK$'000 *(Note 42(a))*	Lease liabilities HK$'000 *(Note 30)*	Total HK$'000
At 1 January 2020	13,860	183,000	40,000	61,045	297,905
Changes from cash flows:					
Proceeds from bank borrowings	62,489	–	–	–	62,489
Repayment of bank borrowings	(3,014)	–	–	–	(3,014)
Capital element of lease rentals paid	–	–	–	(48,443)	(48,443)
Proceeds from amount due to a related company	–	–	60,000	–	60,000
Repayment of amounts due to related companies	–	–	(100,000)	–	(100,000)
Repayment of other loans	–	(100,000)	–	–	(100,000)
Total changes from financing cash flows:	59,475	(100,000)	(40,000)	(48,443)	(128,968)
Exchange adjustments:	(175)	–	–	1,531	1,356
Other changes:					
Interest arising from lease liabilities	–	–	–	2,943	2,943
Interest element of lease rental paid classified as operating cash flows	–	–	–	(2,943)	(2,943)
Entering into new leases during the year	–	–	–	61,082	61,082
Total other changes	–	–	–	61,082	61,082
At 31 December 2020	73,160	83,000	–	75,215	231,375

41. COMMITMENTS

(a) Commitment - as lessor

The Group had future aggregate minimum lease receipts in respect of machinery included in property, plant and equipment and right-of-use assets in the Group under non-cancellable operating leases as follows:

	2021 HK$'000	2020 HK$'000
Within one year	42,076	27,208
In the second to fifth years, inclusive	1,990	2,295
	44,066	29,503

The Group had future aggregate minimum lease receipts in respect of machinery sublet by the Group under non-cancellable operating leases as follows:

	2021 HK$'000	2020 HK$'000
Within one year	34,933	23,237
In the second to fifth years, inclusive	2,792	746
	37,725	23,983

The Group leases its machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

41. COMMITMENTS *(Continued)*

(b) Commitment - as lessee

The total future minimum lease payments related to short term leases of the Group in respect of machinery, office and premises located in Hong Kong and PRC under non-cancellable operating leases are as follows:

	2021 HK$'000	2020 HK$'000
Group		
Within one year	23,369	15,666

As at 31 December 2021, the leases payment in respect of machinery, office and premises in Hong Kong and PRC run for an initial period within one year. All rentals are fixed over the lease terms and do not include contingent rentals.

(c) Capital commitment

	2021 HK$'000	2020 HK$'000
Group		
Acquisition of property, plant and equipment		
– contracted but not provided for	5,678	4,029
Acquisition of property development activities		
– contracted but not provided for	24,370	38,689
	30,048	42,718

42. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions during the year

In addition to those related parties transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related parties during the year:

Related party relationship	Type of transaction	2021 HK$'000	2020 HK$'000
Subsidiaries of the beneficial owner	Interest expenses on amounts due to related companies	–	1,446
Loan from intermediate holding company	Interest expenses on loan from intermediate holding company	574	–

During the year ended 31 December 2021, the Group had entered into a loan agreement with intermediate holding company to obtain a loan of HK$10,000,000 bearing an interest at 8% per annum. The loan was fully settled in 2021.

During the year ended 31 December 2020, the Group had entered into a loan agreement with a related company to obtain a loan of HK$60,000,000 bearing an interest at 15% per annum. The loan was fully settled in 2020.

The terms and conditions of the other loans are set out in note 29.

(b) Key management personnel compensation

The remuneration of the Directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	2,379	9,863
Post-employment benefits	63	116
	2,442	9,979

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, bank borrowings, other loans and lease liabilities which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

Exposure

The following table details the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate per annum		Carrying amount	
	2021	2020	**2021**	2020
	%	%	**HK$'000**	HK$'000
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0 – 0.4**	0 – 0.4	**26,356**	29,953
			26,356	29,953
Financial liabilities				
Borrowings	**2.4 – 5.0**	2.4 – 6.3	**106,548**	73,160
Lease liabilities	**3.0 – 5.2**	3.1 – 5.2	**5,162**	6,508
			111,710	79,668
Net exposure			**(85,354)**	(49,715)

The policies to manage interest rate risk have been followed by the Group consistently throughout the year.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(a) Interest rate risk *(Continued)*

Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2020: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2021 **HK$'000**	2020 HK$'000
Effect on loss after income tax for the year and accumulated losses	**(757)**	(472)

A -1% (2020: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. As at 31 December 2021, the five largest trade debtors, in aggregate, contributed approximately HK$51,354,000 or 57% (2020: approximately HK$47,746,000 or 33.4%) to the Group's total trade receivables, net of loss allowance. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

Except for expected credit loss set out in note 43(b), the Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The ECLs on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of debtors to settle receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19. The Group recognises lifetime ECLs for trade receivables based on individual significant customers or the ageing of customers collectively that are not individually significant.

The followings are credit risk management practices and quantitative and qualitative information about amounts arising ECL for each class of financial assets.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables

The Group provides for lifetime ECLs for trade receivables based on historical trend. Loss rates are based on actual loss experience and past trends. Where there is a significant deterioration in credit risk or when the receivables are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs also incorporate forward looking information such as forecast of economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

	Weighted Average Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2021						
Current (not past due)	1.08%	8,476	95	–	–	95
1-30 days past due	1.08%	21,024	139	69	69	208
31-60 days past due	3.25%	5,869	118	35	35	153
61-90 days past due	3.25%	6,025	113	110	110	223
91-120 days past due	5.23%	2,697	87	103	103	190
More than 120 days past due	6.03%	46,163	1,646	764	764	2,410
		90,254	2,198	1,081	1,081	3,279

	Weighted Average Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2020						
Current (not past due)	0.81%	21,633	78	–	–	78
1-30 days past due	0.81%	16,865	43	–	–	43
31-60 days past due	2.66%	6,354	54	15	15	69
61-90 days past due	2.66%	4,646	88	224	224	312
91-120 days past due	4.40%	2,422	95	–	–	95
More than 120 days past due	5.08%	13,305	345	608	608	953
		65,225	703	847	847	1,550

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(b) Credit risk *(Continued)*

Other receivables and deposits measured at amortised cost

Apart from credit-impaired other receivables with loss allowance of approximately HK$9,000 (2020: approximately HK$9,000) as disclosed in note 24, the Group provides for 12-month ECLs for all other receivables and deposits at initial recognition. Where there is a significant deterioration in credit risk or when the other receivables and deposits are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs incorporate forward looking information such as forecast of economic conditions and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. The Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's remaining other receivables and deposits is insignificant. The Group has assessed that the remaining other receivables and deposits do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these remaining other receivables and deposits were immaterial under the 12-month ECLs. No loss allowance for remaining other receivables and deposits was recognised for the years ended 31 December 2021 and 2020.

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has major operations in Hong Kong, Singapore, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$, EUR and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(c) Foreign currency risk *(Continued)*

Exposure

Foreign currency denominated financial assets and liabilities, translated into a currency other than the functional currency of the Company and its subsidiaries at the closing rates, are as follows:

	RMB HK$'000	US$ HK$'000	EUR HK$'000
2021			
Trade receivables	–	139	–
Other receivables	44	–	61
Cash and cash equivalents	19	3,402	–
Trade payables	–	2,768	–
2020			
Trade receivables	–	1,151	–
Other receivables	44	895	61
Cash and cash equivalents	10	2,335	–
Trade payables	–	–	86

Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US$ exchange rates on sensitively analysis would have insignificant impact on the Group's loss before tax and there would be no impact on the Group's equity.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(d) Liquidity risk *(Continued)*

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

	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2021					
Financial liabilities					
– Trade payables	61,703	61,703	–	61,703	–
– Accruals and other payables	57,743	57,743	57,743	–	–
– Borrowings	106,548	132,148	–	23,665	108,483
– Other loans	83,000	83,000	83,000	–	–
– Lease liabilities	74,745	84,777	–	39,529	45,248
	383,739	419,371	140,743	124,897	153,731
2020					
Financial liabilities					
– Trade payables	58,704	58,704	–	58,704	–
– Accruals and other payables	44,889	44,889	44,889	–	–
– Borrowings	73,160	81,674	–	10,270	71,404
– Other loans	83,000	83,000	83,000	–	–
– Lease liabilities	75,215	84,578	–	38,763	45,815
	334,968	352,845	127,889	107,737	117,219

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. As detailed in note 2.1, at the end of reporting period for the year ended 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$33,655,000. The directors of the Company (the "Directors") consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2021, on the basis that financial support is obtained from one of the former substantial shareholders of the Company for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$23,425,000 respectively as at 31 December 2021 in the next twelve months.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(e) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, accruals, borrowings, other loans and lease liabilities.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2021 HK$'000	2020 HK$'000
Financial assets		
At amortised cost		
– Trade receivables	88,658	64,522
– Other receivables and deposits	4,376	5,365
– Cash and cash equivalents	26,356	29,953
	119,390	99,840
Financial liabilities		
At amortised cost		
– Trade payables	61,703	58,704
– Accruals and other payables	58,621	44,889
– Borrowings	106,548	73,160
– Other loans	83,000	83,000
– Lease liabilities	74,745	75,215
	384,617	334,968

44. OUTSTANDING CLAIM IN PRIOR YEAR

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, investigations, and legal proceedings that arise from time to time. Although the directors do not expect that the outcome in any of these legal proceedings will have a material adverse effect on the Group's financial position or results of operations, litigation is inherently unpredictable. The directors are of the opinion that the details of these legal and other proceedings are sensitive and disclosures are therefore not set out in full.

On 5 June 2017, a supplier of the Group (the "Supplier") initiated a legal proceeding in Singapore in respect of an alleged breach of contract for supply of tower crane accessories on the part of the Group. The Supplier claimed the Group for outstanding rental payable balances of approximately S$55,000 (equivalent to approximately HK$323,000) and losses and damages of approximately S$73,000 (equivalent to approximately HK$429,000) resulting from the alleged breach of contract (the "Dispute"). Meanwhile, the Group had filed a counterclaim for the loss of income of approximately S$42,000 (equivalent to approximately HK$247,000) as a result of the termination of contract.

On 16 June 2017, the Group offered to settle the Dispute by payment of a sum of S$56,000 (equivalent to approximately HK$329,000), interest on such sum at the rate of 5.33% per annum from 5 June 2017 until actual settlement and costs and reasonable disbursements to be agreed or taxed.

As at 31 December 2017, an aggregate amount of S$80,000 (equivalent to approximately HK$470,000), being the agreed full and final settlement of the claim, was included in accruals.

On 27 February 2018, the Group and the Supplier had come to the conclusion to the terms of the settlement in the mediation in the Court Dispute Resolution Centre, in which, the Group paid S$80,000 (equivalent to approximately HK$470,000) to the Supplier, being the agreed full and final settlement of the claim and presented a letter of recommendation to the Supplier on 5 March 2018. Furthermore, the Supplier had filed the Supplier's notice of discontinuance for their claim on 14 March 2018; and the Group had filed the Group's notice of discontinuance of the counterclaim on 15 March 2018.

Up to 31 December 2021, there is no update on the outstanding claim. Management has re-assessed the probability of an outflow of the outstanding claim, they consider that the current accrual is adequate.

45. EVENT AFTER REPORTING DATE

The performance of the Group were affected by the outbreak of COVID-19 since early 2020. At the date of this report, it has remained uncertain when the pandemic will end. The Group will continue to pay close attention to the development of the COVID-19 and perform further assessment on its impact and take relevant measures.

46. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The capital structure of the Group consists of net debt and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of carrying amounts of borrowings, other loans and lease liabilities as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2021 HK$'000	2020 HK$'000
Borrowings	106,548	73,160
Other loans	83,000	83,000
Lease liabilities	74,745	75,215
Total debts	264,293	231,375
Total equity	132,236	127,276
Total debts to equity ratio	2.0	1.8

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2017 HK$'000	2018 HK$'000 (re-stated)	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Continuing operations					
Revenue	206,805	108,277	124,473	143,061	**214,744**
Cost of sales and services	(98,782)	(60,882)	(70,682)	(76,193)	**(80,336)**
Gross profit	108,023	47,395	53,791	66,868	**134,408**
(Loss)/profit before taxation	(9,926)	(81,880)	(64,918)	(62,489)	**7,049**
Income tax credit/(expense)	1,924	1,833	(567)	(550)	**(3,039)**
(Loss)/profit for the year from continuing operations	(8,002)	(80,047)	(65,485)	(63,039)	**4,010**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	319	91,686	81,785	(69,506)	**–**
(Loss)/profit for the year	(7,683)	11,639	16,300	(132,545)	**4,010**
Profit/(loss) for the year and attributable to owners of the Company					
– Continuing operations	(47,768)	(80,078)	(65,442)	(62,999)	**4,478**
– Discontinued operations	319	37,406	33,269	(68,901)	**–**
(Loss)/earnings per share from continuing and discontinued operations					
– Basic and diluted (HK cents)	(4.89)	(4.03)	(3.04)	(12.44)	**0.42**
(Loss)/earnings per share from continuing operations					
– Basic and diluted (HK cents)	(4.92)	(7.55)	(6.17)	(5.94)	**0.42**
Earnings/(loss) per share from discontinued operations					
– Basic and diluted (HK cents)	–	3.52	3.13	(6.50)	**–**

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Non-current assets	586,257	564,929	241,647	273,357	**296,485**
Current assets	234,419	253,618	86,931	212,296	**253,531**
Current liabilities	(248,378)	(271,700)	(337,420)	(251,745)	**(287,186)**
Assets classified as held for sale	–	–	578,424	–	**–**
Liabilities directly associated with assets classified as held for sale	–	–	(30,795)	–	**–**
Net current (liabilities)/assets	(13,959)	(18,082)	297,140	(39,449)	**(33,655)**
Total assets less current liabilities	572,298	546,847	538,787	233,908	**262,830**
Non-current liabilities	(76,341)	(64,489)	(48,209)	(106,632)	**(130,594)**
Net assets/total equity	495,957	482,358	490,578	127,276	**132,236**
Total debt to equity ratio	0.4	0.5	0.6	1.8	**2.0**