

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HORIZON CONSTRUCTION DEVELOPMENT LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of Horizon Construction Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-89, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-89 forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [Date] (the "[REDACTED]") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and of the Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

The Historical Financial Information states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong
[Date]

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I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
REVENUE	5	3,663,595	6,141,168	7,877,646
Cost of sales	7	(2,015,234)	(3,295,231)	(4,744,640)
Gross profit		1,648,361	2,845,937	3,133,006
Other income and gains	6	79,587	260,206	157,582
Selling and distribution expenses	7	(273,091)	(451,852)	(340,804)
Administrative expenses	7	(411,421)	(745,455)	(863,778)
Expected credit losses ("ECLs") of financial and contract assets, net	7	(91,790)	(304,285)	(110,114)
Other expenses	7	(6,155)	(51,734)	(157,270)
Finance costs	10	(303,984)	(650,318)	(924,818)
PROFIT BEFORE TAX	7	641,507	902,499	893,804
Income tax expense	11	(148,145)	(192,861)	(227,242)
PROFIT FOR THE YEAR		<u>493,362</u>	<u>709,638</u>	<u>666,562</u>
Profit attributable to:				
Owners of the parent		448,373	709,638	666,562
Non-controlling interests		44,989	–	–
		<u>493,362</u>	<u>709,638</u>	<u>666,562</u>

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	Notes	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the year	27	-	-	(2,257)
Exchange differences on translation of foreign operations		-	-	(31)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		-	-	(2,288)
Other comprehensive income for the year, net of tax		-	-	(2,288)
Total comprehensive income for the year		<u>493,362</u>	<u>709,638</u>	<u>664,274</u>
Total comprehensive income attributable to:				
Owners of the parent		448,373	709,638	664,274
Non-controlling interests		<u>44,989</u>	-	-
		<u>493,362</u>	<u>709,638</u>	<u>664,274</u>

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Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	10,348,017	18,278,063	19,102,390
Right-of-use assets	14(a)	681,881	321,214	335,222
Other intangible assets	15	4,946	4,611	3,797
Prepayments, other receivables and other assets	19	–	120,683	174,980
Deferred tax assets	16	182,113	263,859	333,081
Derivative financial instruments	27	–	–	2,379
Restricted bank balances	23	642	–	–
		<u>11,217,599</u>	<u>18,988,430</u>	<u>19,951,849</u>
Total non-current assets				
CURRENT ASSETS				
Inventories	17	165,757	291,365	186,217
Trade receivables	18	2,529,852	4,198,258	4,486,990
Contract assets	20	110,132	276,859	304,295
Prepayments, other receivables and other assets	19	1,235,084	2,055,489	2,103,819
Financial assets at fair value through profit or loss	21	–	150,051	–
Debt investments at fair value through other comprehensive income	22	190,940	480,140	1,036,355
Restricted bank balances	23	24,009	13,023	62,944
Cash and cash equivalents	23	165,830	506,991	2,159,325
		<u>4,421,604</u>	<u>7,972,176</u>	<u>10,339,945</u>
Total current assets				

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	Notes	As at 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
CURRENT LIABILITIES				
Trade and bills payables	24	896,440	1,435,700	1,109,794
Other payables and accruals	25	640,535	1,257,869	736,808
Interest-bearing bank and other borrowings	26	2,435,389	5,064,932	6,143,418
Lease liabilities	14(b)	628,285	65,545	59,927
Tax payables		93,292	166,130	141,020
Total current liabilities		4,693,941	7,990,176	8,190,967
NET CURRENT ASSETS/(LIABILITIES)		(272,337)	(18,000)	2,148,978
TOTAL ASSETS LESS CURRENT LIABILITIES				
		10,945,262	18,970,430	22,100,827
NON-CURRENT LIABILITIES				
Other payables and accruals	25	150,489	241,715	266,266
Derivative financial instruments	27	–	6,907	2,257
Interest-bearing bank and other borrowings	26	5,382,124	12,632,834	15,068,696
Lease liabilities	14(b)	92,458	60,743	71,332
Deferred tax liabilities	16	–	–	357
Deferred revenue	28	18,442	17,270	16,684
Total non-current liabilities		5,643,513	12,959,469	15,425,592
Net assets		5,301,749	6,010,961	6,675,235
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	327	370	370
Reserves	30	5,300,996	6,010,591	6,674,865
		5,301,323	6,010,961	6,675,235
Non-controlling interests		426	–	–
Total equity		5,301,749	6,010,961	6,675,235

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Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Statutory surplus reserve	Retained profits*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	–	(29,862)	–	10,257	–	86,915	179,337	246,647
Profit for the year	–	–	–	–	–	–	448,373	44,989	493,362
Total comprehensive income for the year	–	–	–	–	–	–	448,373	44,989	493,362
Issue of shares	327	4,740,553	–	–	–	–	–	–	4,740,880
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	364,649	364,649
Acquisition of non-controlling interests (note 30(c) 2)	–	–	–	44,365	395	–	–	(588,549)	(543,789)
Special reserve – safety fund appropriation	–	–	–	–	18,063	–	(18,063)	–	–
At 31 December 2020	327	4,740,553	(29,862)	44,365	28,715	–	517,225	426	5,301,749

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	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Statutory surplus reserve	Retained profits*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	327	4,740,553	(29,862)	44,365	28,715	-	517,225	5,301,323	5,301,749
Profit for the year	-	-	-	-	-	-	709,638	709,638	709,638
Total comprehensive income for the year	-	-	-	-	-	-	709,638	709,638	709,638
Issue of ordinary shares with a redemption obligation (note 29)	43	1,326,142	-	-	-	-	-	1,326,185	1,326,185
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(426)
Recognition of a redemption obligation (note 30(c)(1))	-	-	-	(1,326,185)	-	-	-	(1,326,185)	(1,326,185)
Special reserve – safety fund appropriation	-	-	-	-	26,261	-	(26,261)	-	-
At 31 December 2021	370	6,066,695	(29,862)	(1,281,820)	54,976	-	1,200,602	6,010,961	6,010,961

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	Attributable to owners of the parent							Total equity RMB'000	
	Share capital RMB'000 (note 29)	Share premium* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	Capital reserve* RMB'000 (note 30)	Special reserve* RMB'000 (note 30)	Statutory surplus reserve RMB'000 (note 30)	Other comprehensive income* RMB'000		Retained profits* RMB'000
At 1 January 2022	370	6,066,695	(29,862)	(1,281,820)	54,976	–	–	1,200,602	6,010,961
Profit for the year	–	–	–	–	–	–	–	666,562	666,562
Other comprehensive income	–	–	–	–	–	–	(2,288)	–	(2,288)
Total comprehensive income for the year	–	–	–	–	–	–	(2,288)	666,562	664,274
Special reserve – safety fund appropriation	–	–	–	–	37,175	–	–	(37,175)	–
At 31 December 2022	<u>370</u>	<u>6,066,695</u>	<u>(29,862)</u>	<u>(1,281,820)</u>	<u>92,151</u>	<u>–</u>	<u>(2,288)</u>	<u>1,829,989</u>	<u>6,675,235</u>

* These reserve accounts comprise the consolidated reserves of RMB5,300,996,000, RMB6,010,591,000 and RMB6,674,865,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

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Consolidated Statements of Cash Flows

	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		641,507	902,499	893,804
Adjustments for:				
Finance costs	10	303,984	650,318	924,818
Loan interest income	6	(13,903)	–	–
Fair value gains, net:				
Financial assets at fair value through profit or loss		–	(51)	(69)
Derivative instrument – not for hedge accounting	27	–	6,907	(9,286)
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	6	(34,549)	(18,635)	(22,824)
(Gain)/loss on disposal of subsidiaries	31	(365)	567	–
Loss on scrapped and physical items of property, plant and equipment	7	1,808	5,834	5,142
Impairment of inventories	7	–	–	19,063
ECLs of financial and contract assets, net	7	91,790	304,285	110,114
Depreciation of property, plant and equipment	13	773,801	1,577,373	2,194,927
Depreciation of right-of-use assets	14(a)	182,163	75,263	77,700
Amortization of other intangible assets	15	726	805	814
Deferred revenue	28	(1,145)	(1,172)	(586)
VAT super-credit	6	–	(193,617)	(42,125)
Exchange loss/(gain)		1,142	(11,374)	139,519
		<u>1,946,959</u>	<u>3,299,002</u>	<u>4,291,011</u>
(Increase)/decrease in inventories		(22,268)	(125,608)	86,085
Increase in trade receivables		(1,018,316)	(1,929,487)	(385,059)
Increase in debt investments at fair value through other comprehensive income		(89,577)	(316,438)	(588,472)
Decrease in prepayments, other receivables and other assets		362,952	839,379	496,523
Increase in contract assets		(36,690)	(183,960)	(27,212)
(Decrease)/increase in trade and bills payables		(104,552)	307,460	(112,909)
Increase/(decrease) in other payables and accruals		<u>126,319</u>	<u>760,733</u>	<u>(615,923)</u>
Cash generated from operations		1,164,827	2,651,081	3,144,044
Tax paid		<u>(137,522)</u>	<u>(201,707)</u>	<u>(321,217)</u>
Net cash flows from operating activities		<u>1,027,305</u>	<u>2,449,374</u>	<u>2,822,827</u>

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	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan interest received		13,903	–	–
Purchases of items of property, plant and equipment		(6,909,590)	(10,744,704)	(3,834,548)
Proceeds from disposal of items of property, plant and equipment		100,609	425,425	221,757
Disposal of subsidiaries	31	125,346	(1,052)	–
Purchase of other intangible assets	15	(1,029)	(470)	–
(Subscription)/redemption of financial assets at fair value through profit or loss		–	(150,000)	150,120
Loans to third parties		(20,030)	–	–
Net cash flows used in investing activities		(6,690,791)	(10,470,801)	(3,462,671)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		1,348,080	–	–
Capital contribution by non-controlling shareholders		364,649	–	–
Cash received from related parties		3,392,800	–	–
Consideration paid for a business combination under common control		(1,629,862)	–	–
Cash payment to related parties		(373,544)	–	–
New bank and other borrowings	32	9,617,550	13,580,357	10,115,342
Issue of ordinary shares with a redemption obligation	32	–	1,326,185	–
Interest paid	32	(375,932)	(689,809)	(810,078)
Dividends paid		(14,309)	–	–
Finance lease deposits paid		–	(121,000)	(53,000)
Repayment of bank and other borrowings	32	(4,670,601)	(5,095,061)	(6,822,422)
Acquisition of non-controlling interests		(543,789)	–	–
Principal portion of lease payments, net	32	(1,293,075)	(642,023)	(94,133)
(Increase)/decrease in restricted deposits		(14,290)	11,628	(49,921)
Net cash flows generated from financing activities		5,807,677	8,370,277	2,285,788
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		144,191	348,850	1,645,944
Effect of foreign exchange rate changes, net		22,781	165,830	506,991
		(1,142)	(7,689)	6,390
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u>165,830</u>	<u>506,991</u>	<u>2,159,325</u>

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Statements of Financial Position of the Company

Information about the statements of financial position of the Company at the end of the Relevant Periods is as follows:

		As at 31 December		
	<i>Notes</i>	2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Investment in a subsidiary		<u>55</u>	<u>55</u>	<u>55</u>
Total non-current assets		<u>55</u>	<u>55</u>	<u>55</u>
CURRENT ASSETS				
Prepayments, other receivables and other assets	40	4,674,526	5,976,340	5,990,540
Cash and cash equivalents	40	<u>54,411</u>	<u>44,233</u>	<u>22,438</u>
Total current assets		<u>4,728,937</u>	<u>6,020,573</u>	<u>6,012,978</u>
CURRENT LIABILITIES				
Other payables and accruals	40	<u>10,855</u>	<u>12,372</u>	<u>40,505</u>
Total current liabilities		<u>10,855</u>	<u>12,372</u>	<u>40,505</u>
NET CURRENT ASSETS		<u>4,718,082</u>	<u>6,008,201</u>	<u>5,972,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,718,137</u>	<u>6,008,256</u>	<u>5,972,528</u>
NON – CURRENT LIABILITIES				
Other payables and accruals	40	–	63,968	181,159
Other borrowings	40	<u>–</u>	<u>1,306,447</u>	<u>1,427,118</u>
Total non-current liabilities		<u>–</u>	<u>1,370,415</u>	<u>1,608,277</u>
Net assets		<u>4,718,137</u>	<u>4,637,841</u>	<u>4,364,251</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	327	370	370
Reserves		<u>4,717,810</u>	<u>4,637,471</u>	<u>4,363,881</u>
Total equity		<u>4,718,137</u>	<u>4,637,841</u>	<u>4,364,251</u>

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 28 September 2020 as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands. The registered office of the Company is at the offices of Vistra (Cayman) Limited, P.O Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were involved in the following principal activities:

- (i) Operating lease services, including operational leasing of aerial work platform, turnover materials and mould bases;
- (ii) Engineering and technical services, including construction and related services, electric power supply services, equipment repair and maintenance services and logistics services;
- (iii) Platform and other services, including platform services (mainly referring to sub-leasing services and related maintenance services) and sales services (mainly referring to sale of new equipment, second-hand equipment and materials).

The immediate holding company and the controlling shareholder of the Company is Far East Horizon Limited (“Controlling Shareholder”).

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the [REDACTED]. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Horizon Construction (Hong Kong) Limited (formerly named “Jinsheng Construction (Hong Kong) Limited”)	(a) Hong Kong	19-Dec-14	HKD1.00	100	–	Investment holding
Tianjin Horizon Construction Development Investment Co., Ltd. (formerly named “Tianjin Jinsheng Industry Investment Co., Ltd.”) (天津宏信建發投資有限公司)	(b) PRC/Mainland China	20-Jun-19	United States dollar (“USD”) 1,000,000,000	–	100	Investment holding

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Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設 發展有限公司)	(b)	PRC/Mainland China	14-Apr-14	RMB4,400,000,000	–	100	Engineering and technical services, and sale of equipment and spare parts
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備 工程有限公司)	(b)	PRC/Mainland China	2-Aug-13	RMB600,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備 工程有限公司)	(b)	PRC/Mainland China	13-Jul-11	RMB4,912,984,400	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Tianjin Horizon Equipment Leasing Co., Ltd. (天津宏信 設備租賃有限公司)	(b)	PRC/Mainland China	27-Jul-12	RMB100,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Guangzhou Hongtu Equipment & Engineering Co., Ltd. (廣州宏途設備 工程有限公司)	(b)	PRC/Mainland China	23-Mar-15	RMB1,133,220,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有 限公司)	(c)	PRC/Mainland China	11-Sep-20	RMB200,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有 限公司)	(c)	PRC/Mainland China	20-Apr-20	RMB200,000,000	–	100	Engineering and technical services, and operating lease services
Tianjin Horizon Construction Development Leasing Co., Ltd. (天 津宏信建設租賃有 限公司)	(d)	PRC/Mainland China	16-Apr-20	RMB705,000,000	–	100	Operating lease services, and sale of equipment and spare parts

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Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途 設備租賃有限公司)	(e)	PRC/Mainland China	2-Dec-20	RMB1,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技 術有限公司)	(e)	PRC/Mainland China	23-Nov-20	RMB10,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途 供應鏈管理有限公司)	(e)	PRC/Mainland China	19-Nov-20	RMB10,000,000	–	100	Supply chain management services
Horizon Construction overseas (Hong Kong) Limited	(f)	Hong Kong	29-Apr-21	HKD10,000,000	–	100	Investment holding
Horizon Construction Development (Singapore) Pte. Ltd.	(g)	Singapore	21-Jul-21	SGD1,000,000	–	100	Wholesale trade of a variety of goods without a dominant-product
Horizon Construction Overseas (Malaysia) Sdn. Bhd.	(g)	Malaysia	8-Nov-21	MYR1,000,000	–	100	Import and export, sale and leasing of new and used equipment

* The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

- (a) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by W. H. Shum & Co (英福會計師事務所). The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by C K Yau & Partners CPA Limited (邱在光合夥會計師行有限公司).
- (b) The statutory financial statements of these entities for the years ended 31 December 2021 and 31 December 2020 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC.
- (c) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC. The statutory financial statements of these entities for the year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Shanghai Qianyi Certified Public Accountants Co., Ltd. (上海仟一會計師事務所有限公司), a certified public accounting firm registered in the PRC.

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- (d) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC. The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Shanghai Qianyi Certified Public Accountants Co., Ltd. (上海仟一會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (e) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”) and regulations were audited by Zhongxingcai Guanghai Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC.
- (f) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Clayton Concept & Co. (機靈會計師事務所).
- (g) No audited financial statements have been audited for these entities, as these entities are newly established in 2021.
- (h) Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) and Pan Xian Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) have been disposed of in 2020. Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. (唐山曹妃甸昱瑞建設工程有限公司) has been disposed of in 2021. Further details of the disposal of the subsidiaries are disclosed in note 31 to the Historical Financial Information.
- (i) Hebei Hongjin Mould Base Technology Co., Ltd. (河北宏金模架科技有限公司) has been deregistered in 2022.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the [REDACTED], the Company became the holding company of the companies now comprising the Group on 23 October 2020. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or to recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

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2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information on a consistent basis throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (“FVOCI”) and derivative financial instrument which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9—Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making assessment of the impact of these new and revised HKFRSs upon initial applications. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations other than common control

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December each year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combination under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The results of subsidiaries are combined from the beginning of the Relevant Periods or the date on which a subsidiary first came under the common control of the Controlling Shareholder, whichever is later, and continue to be consolidated until the date that the Company's control ceases. The assets and liabilities of the combining entities are reflected at their existing carrying values at the date of combination. No amount is recognized in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, is recorded as part of equity.

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Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	2.38% to 19.40%
Equipment, materials and moulds	9.00% to 32.33%
Office and other equipment	9.00% to 32.33%
Motor vehicles	9.00% to 24.25%

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at historical cost less any impairment loss and is amortized on the straight-line basis over its estimated useful life of 5-10 years.

The software mainly comprises Enterprise Resource Planning system (the "ERP system") and Systems Applications and Products in Data Processing system ("SAP financial system"). The management estimates the useful life of ERP system and SAP financial system as 10 years based on historical experience and estimated lifecycle of the software according to their business plan.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

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

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(a) *Right-of-use assets*

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

Leasehold land	40 to 50 years
Offices	1 to 6 years
Equipment, materials and moulds	3 to 7 years

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

(b) *Lease liabilities*

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

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

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

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

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

Group as a lessor

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

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

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

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At the commencement date, the cost of the leased asset is capitalized at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognized in profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale and leaseback transactions

The Group acts as a seller-lessee transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor. The Group applies the requirements for determining when a performance obligation is satisfied in HKFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset.

When the transfer of an asset by the seller-lessee does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group, as the seller-lessee, continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds.

When the transfer of an asset by the seller-lessee satisfies the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group, as the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income.

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

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

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

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

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Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

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

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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General approach

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

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

Simplified approach

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

For lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, interest-bearing bank and other borrowings, other borrowings on ordinary shares with redemption obligation and lease liabilities.

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Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortized cost (borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

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Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Other borrowings on ordinary shares with redemption obligation

For the redeemable ordinary shares issued by the Company as detailed in note 28, financial liabilities are recognized based on the net present value of the redemption amount and debited to equity. Changes of net present value during the relevant periods are recognized in profit or loss. When the redemption rights related to the redeemable ordinary shares are terminated, redemption liabilities on ordinary shares are extinguished and credited to equity.

Inventories

Inventories are goods valued at the lower of cost and net realizable value at the end of each of the Relevant Periods. The cost of inventories issued is determined on the weighted-average basis and specific identification basis, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. The difference between the cost and the lower net realizable value is stated as a provision. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

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Income tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize 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.

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Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

The Group principally engaged in the leasing of equipment and materials, operating lease services, engineering and technical services and sales of goods.

Revenue from operating lease income

Operating lease income, for which the Group provides operating lease services and subleasing services cover various types of equipment and materials on a daily, weekly, monthly, yearly or project-by-project basis based on customers' needs. Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Revenue from contracts with customers

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

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

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

(a) Sale of goods

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

(b) Engineering and technical services

Revenue from construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of construction services.

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Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the *customer* pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Employee benefits

Salaries and bonuses, social security contributions and other short-term employee benefits are accrued in which services have been rendered by the employees of the Group.

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

Contributions to these plans are recognized in profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

This Historical Financial Information is presented in Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The functional currency of the Company is RMB.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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Judgements

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Classification between finance leases and operating leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this involves critical judgements by management.

Determining the timing of satisfaction of construction services

The Group concluded that revenue from the construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that the Group is building on the customer's construction site and the customer generally controls any work in progress arising from the Group's performance demonstrates that the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

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Classification of transactions which contain a financing element

Transactions for the purchase of materials and equipment contains financing elements such as extended payment terms. Under such arrangement, the banks as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with banks. Management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statements of cash flows and financial position. The economic substance of the transaction is determined to be financing in nature as the financing element is significant and the time frame in which the arrangement is extended by over 9 months within original supply terms. As a result, the entire cash flow is presented as operating and financing in the statement of cash flow. Therefore, the supplier finance arrangement is significantly different from the original invoices and presentation of the liabilities is included in interest-bearing bank and other borrowings, with total amounts of nil, RMB87,837,000, and RMB84,649,000, respectively as at the end of the Relevant Period. There are non-cash changes showed in the consolidated statements of cashflows.

Estimation uncertainty

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

Provision for expected credit losses ("ECLs")

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at FVOCI, trade receivables, financial assets included in prepayments, other receivables and other assets, contract assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECLs calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades
- (ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- (iii) Development of ECL models, including the various formulas and the choice of inputs
- (iv) Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, the exposure at defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

Impairment of non-financial assets

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

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Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 16 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

- (i) Operating lease services: leasing of equipment and materials to customers and generating revenue mainly from rental fees payable by customers. The equipment and materials remain property of the Group and are leased out to different customers with same or similar requirements;
- (ii) Engineering and technical services: provision of construction services, electric power supply services, equipment repair and maintenance services and logistics services, and related value-added services, and generating revenue mainly from service fees charged to customers; and
- (iii) Platform and other services: sub-leasing and sale of equipment and materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except other income and gain (other than loans interest income, gain on disposal of items of property, plant and equipment and gain on stock-take of physical assets), non-financial lease-related finance costs, ECLs of other receivables, as well as other expenses (other than loss on scrapped and physical items of property, plant and equipment).

Segment assets exclude deferred tax assets, financial assets at fair value through profit or loss, derivative financial instruments, restricted bank balances, cash and cash equivalents as well as other receivables and other assets.

Segment liabilities exclude other payables and accruals (other than lease deposits, salary and welfare payables, advanced lease payments and contract liabilities), interest-bearing bank and other borrowings, tax payables, derivative financial instruments, deferred tax liabilities and deferred revenue.

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Year ended 31 December 2020

	Operating lease services	Engineering and technical services	Platform and other services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue (note 5)				
Sales to external customers	2,484,554	1,062,760	116,281	3,663,595
Intersegment sales	—	—	—	—
	<u>2,484,554</u>	<u>1,062,760</u>	<u>116,281</u>	<u>3,663,595</u>
Revenue from continuing operations				
	<u>2,484,554</u>	<u>1,062,760</u>	<u>116,281</u>	<u>3,663,595</u>
Segment results	750,703	79,028	35,024	864,755
<i>Reconciliation:</i>				
Unallocated other income and gains				27,754
Unallocated other expenses				(4,348)
Unallocated finance costs				(244,124)
Unallocated ECLs				<u>(2,530)</u>
Profit before tax				<u>641,507</u>
Segment assets	11,358,938	2,795,030	88,666	14,242,634
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>1,396,569</u>
Total assets				<u>15,639,203</u>
Segment liabilities	1,594,628	455,794	6,547	2,056,969
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>8,280,485</u>
Total liabilities				<u>10,337,454</u>
Other segment information				
Impairment losses recognized in profit or loss, net	64,903	23,949	408	89,260
Unallocated impairment losses				<u>2,530</u>
Total impairment losses recognized in profit or loss, net				<u>91,790</u>
Depreciation and amortization	779,151	177,539	—	956,690
Capital expenditure*	4,794,478	1,092,476	—	5,886,954

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Year ended 31 December 2021

	Operating lease services	Engineering and technical services	Platform and other services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue (note 5)				
Sales to external customers	4,463,348	1,519,288	158,532	6,141,168
Intersegment sales	—	—	—	—
	<u>4,463,348</u>	<u>1,519,288</u>	<u>158,532</u>	<u>6,141,168</u>
Revenue from continuing operations				
	<u>4,463,348</u>	<u>1,519,288</u>	<u>158,532</u>	<u>6,141,168</u>
Segment results	1,289,957	52,796	273	1,343,026
<i>Reconciliation:</i>				
Unallocated other income and gains				241,571
Unallocated other expenses				(45,901)
Unallocated finance costs				(637,464)
Unallocated ECLs				1,267
				<u>902,499</u>
Profit before tax				
				<u>902,499</u>
Segment assets	20,018,475	3,975,548	105,524	24,099,547
<i>Reconciliation:</i>				
Corporate and other unallocated assets				2,861,059
				<u>26,960,606</u>
Total assets				
				<u>26,960,606</u>
Segment liabilities	2,070,327	567,153	20,036	2,657,516
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				18,292,129
				<u>20,949,645</u>
Total liabilities				
				<u>20,949,645</u>
Other segment information				
Impairment losses recognized in profit or loss, net	208,545	96,579	428	305,552
Unallocated impairment losses				(1,267)
				<u>304,285</u>
Total impairment losses recognized in profit or loss, net				
				<u>304,285</u>
Depreciation and amortization	1,406,897	246,544	—	1,653,441
Capital expenditure*	8,311,514	1,281,032	—	9,592,546

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Year ended 31 December 2022

	Operating lease services RMB'000	Engineering and technical services RMB'000	Platform and other services RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	5,189,949	2,136,630	551,067	7,877,646
Intersegment sales	—	—	—	—
	<u>5,189,949</u>	<u>2,136,630</u>	<u>551,067</u>	<u>7,877,646</u>
Revenue from continuing operations				
	<u>5,189,949</u>	<u>2,136,630</u>	<u>551,067</u>	<u>7,877,646</u>
Segment results	1,475,689	284,227	89,015	1,848,931
<i>Reconciliation:</i>				
Unallocated other income and gains				134,758
Unallocated other expenses				(156,693)
Unallocated finance costs				(920,359)
Unallocated ECLs				<u>(12,833)</u>
Profit before tax				<u>893,804</u>
Segment assets	20,719,199	4,912,949	127,777	25,759,925
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>4,531,869</u>
Total assets				<u>30,291,794</u>
Segment liabilities	1,431,522	384,741	32,602	1,848,865
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>21,767,694</u>
Total liabilities				<u>23,616,559</u>
Other segment information				
Impairment losses recognized in profit or loss, net	65,008	32,140	133	97,281
Unallocated impairment losses				<u>12,833</u>
Total impairment losses recognized in profit or loss, net				<u>110,114</u>
Depreciation and amortization	1,936,988	336,453	—	2,273,441
Capital expenditure*	2,743,797	476,594	—	3,220,391

* Capital expenditure consists of additions to property, plant and equipment, and other intangible assets during the Relevant Periods.

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Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived mostly from its operation in Mainland China and no significant non-current assets of the Group are located outside Mainland China.

Information about major customers

Total revenue from sales to the five largest customers accounted for 26%, 19% and 18% of the Group's revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

5. REVENUE

An analysis of the revenue is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<i>Revenue from operating lease income</i>			
Operating lease income – equipment	2,484,554	4,463,348	5,189,949
Operating lease income – others	35,138	38,528	250,319
<i>Revenue from contracts with customers</i>	<u>1,143,903</u>	<u>1,639,292</u>	<u>2,437,378</u>
	<u>3,663,595</u>	<u>6,141,168</u>	<u>7,877,646</u>

Revenue from contracts with customers

(a) Disaggregated revenue information:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Type of goods or services			
Sale of goods	81,143	120,004	300,748
Engineering and technical services	<u>1,062,760</u>	<u>1,519,288</u>	<u>2,136,630</u>
Total revenue from contracts with customers	<u>1,143,903</u>	<u>1,639,292</u>	<u>2,437,378</u>
Timing of revenue recognition			
Goods transferred at a point in time	81,143	120,004	300,748
Services transferred over time	<u>1,062,760</u>	<u>1,519,288</u>	<u>2,136,630</u>
Total revenue from contracts with customers	<u>1,143,903</u>	<u>1,639,292</u>	<u>2,437,378</u>

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The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in contract liabilities at the beginning of the year			
Sale of goods	26,956	23,662	25,904
Engineering and technical services	5,809	13,298	88,616
	<u>32,765</u>	<u>36,960</u>	<u>114,520</u>

(b) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 180 days from delivery.

Engineering and technical services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognized as revenue:			
Within one year	186,580	365,305	442,298
After one year	79,963	156,559	189,556
	<u>266,543</u>	<u>521,864</u>	<u>631,854</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year are related to engineering and technical services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income			
Bank interest income	3,550	9,245	11,391
Loan interest income	13,903	–	–
Government grants*	13,871	23,948	68,764
VAT super-credit	–	193,617	42,125
Others	7,663	1,795	494
	<u>38,987</u>	<u>228,605</u>	<u>122,774</u>
Other gains			
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	34,549	18,635	22,824
Gain on disposal of subsidiaries (<i>note 31</i>)	365	–	–
Foreign exchange gain	–	11,374	–
Fair value gains, net:			
Derivative instruments – not for hedge accounting	–	–	9,286
Others	5,686	1,592	2,698
	<u>40,600</u>	<u>31,601</u>	<u>34,808</u>
	<u><u>79,587</u></u>	<u><u>260,206</u></u>	<u><u>157,582</u></u>

* Government grants have been received from local government authorities as subsidies to the Group. In the opinion of management, there were no unfulfilled conditions or contingencies relating to these grants.

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7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Cost of operating lease services		1,185,393	2,091,079	2,870,719
Cost of engineering and technical services provided		756,813	1,076,646	1,496,266
Cost of platform and other services provided		73,028	127,506	377,655
Depreciation of property, plant and equipment*	13	773,801	1,577,373	2,194,927
Depreciation of right-of-use assets*	14(a)	182,163	75,263	77,700
Amortization of intangible assets	15	726	805	814
Rental expenses	14(c)	1,978	3,398	25,653
Auditor's remuneration		405	940	1,313
Employee benefit expense (including directors' and chief executive's remuneration (note 8))				
Wages and salaries		212,800	479,984	341,439
Pension scheme contributions		2,362	35,661	36,590
Other employee benefits		48,309	65,030	57,687
Impairment of inventories		–	–	19,063
ECLs of financial and contract assets:				
ECLs of trade receivables	18	83,431	261,081	65,248
ECLs of contract assets	20	2,526	17,233	(224)
ECLs/(reversal) of financial assets included in prepayments, other receivables and other assets	19	2,530	(1,267)	12,833
ECLs of debt investments at fair value through other comprehensive income	22	3,303	27,238	32,257
Research and development cost:				
Current year expenditure*		153,595	216,676	270,612
Property management services cost		10,424	17,639	16,119
Business travelling expenses		18,460	25,777	26,953
Consultancy fees		5,525	9,919	3,049
Transportation expenses		46,792	65,229	95,999
Communication expenses		10,664	16,658	28,983
Litigation expenses		533	2,346	2,202
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss on derivative instrument		–	6,907	–
Exchange loss		1,142	–	139,519
Loss on scrapped and physical items of property, plant and equipment		1,808	5,834	5,142
Commission expenses**		3,085	25,950	9,936
Provisions for claims arising from the litigation in progress***		–	11,868	2,080

* The depreciation of property, plant and equipment and right-of-use assets aggregated to RMB851,228,000, RMB1,513,377,000, and RMB2,119,028,000 for the years ended 31 December 2020, 2021 and 2022, respectively, are included in the cost of operating leases, cost of engineering and technical services and research and development cost provided disclosed above.

** Commission expenses consisted of bank commission fees and handling fees.

*** As at 31 December 2022, the Group was involved in lawsuits and other proceedings arising from the ordinary course of business. Provisions of RMB11,868,000 and RMB2,080,000 were provided in 2021 and 2022, respectively, of which RMB100,000 was paid in 2022. The management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

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8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods until the Company was incorporated on 28 September 2020.

Mr. Kong Fanxing and Mr. Xu Huibin were appointed as non-executive directors of the Company on 28 September 2020. Mr. Zhang Chunyu and Mr. Tang Li were appointed as executive directors of the Company on 20 January 2021. Mr. Zhang Chunyu has resigned as a director of the Company, and Mr. Pan Yang was appointed as a director of the Company on 15 April 2022. Mr. He Ziming was appointed as a non-executive director of the Company on 20 January 2021. Mr. Yang Dongsheng was appointed as a non-executive director of the Company on 28 May 2021. Ms. Guo Lina was appointed as a non-executive director of the Company on 31 December 2021. Resignation as a non-executive director of the Company was received from Mr. Yang Dongsheng on 4 August 2022. Mr. Li Qianjin was appointed as a non-executive director of the Company on 9 August 2022.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other emoluments:			
Salaries, allowances and benefits in kind	1,907	1,907	2,315
Performance related bonuses	2,600	2,600	2,058
Pension scheme contributions	58	170	178
	<u>4,565</u>	<u>4,677</u>	<u>4,551</u>

(a) Independent non-executive directors

Mr. Liu Jialin, Mr. Xu Min and Ms. Jin Jinping were appointed as independent non-executive directors of the Company on 28 May 2021. Mr. SUM Siu Kei was appointed as an independent non-executive director of the Company on 31 December 2021. There was no emolument payable to independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2020

	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Zhang Chunyu (章春雨)*	1,148	1,900	29	3,077
Mr. Tang Li (唐立)	759	700	29	1,488
	<u>1,907</u>	<u>2,600</u>	<u>58</u>	<u>4,565</u>
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Yang Dongsheng (楊東升)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	<u>1,907</u>	<u>2,600</u>	<u>58</u>	<u>4,565</u>

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Year ended 31 December 2021

	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Zhang Chunyu (章春雨)*	1,148	1,900	85	3,133
Mr. Tang Li (唐立)	759	700	85	1,544
	1,907	2,600	170	4,677
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Yang Dongsheng (楊東升)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	1,907	2,600	170	4,677

Year ended 31 December 2022

	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Pan Yang (潘陽)*	919	1,320	64	2,303
Mr. Tang Li (唐立)	795	738	94	1,627
Mr. Zhang Chunyu (章春雨)*	601	–	20	621
	2,315	2,058	178	4,551
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Li Qianjin (李前進)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	–	–	–	–

* Mr. Zhang Chunyu has resigned as a director of the Company on 15 April 2022. Mr. Pan Yang was appointed as a director of the Company on 15 April 2022. The appointment of Mr. Li Qianjin as a non-executive director of the Company was approved on 9 August 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2020, 2021 and 2022 included two executive directors, respectively, and details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2020, 2021 and 2022 of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,984	1,967	2,025
Performance related bonuses	2,300	2,200	2,187
Pension scheme contributions	88	255	282
	<u>4,372</u>	<u>4,422</u>	<u>4,494</u>

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

	Year ended 31 December		
	2020	2021	2022
RMB nil to RMB1,000,000	–	–	–
RMB1,000,001 to RMB1,500,000	2	1	1
RMB1,500,001 to RMB2,000,000	1	2	2

During the Relevant Periods, no highest paid employees waived or agree to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank and other borrowings	244,124	637,464	920,359
Interest on lease liabilities (note 14(b))	59,860	12,854	4,459
	<u>303,984</u>	<u>650,318</u>	<u>924,818</u>

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax was based on a statutory rate of 25% of the taxable profits for the Relevant Periods as determined in accordance with the PRC Income Tax Law and the respective regulations.

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Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the Relevant Periods except for the following subsidiaries:

Company name	Corporate income tax rate
Shanghai Horizon Equipment & Engineering Co., Ltd.	15%
Guangzhou Hongtu Equipment & Engineering Co., Ltd.	15%

Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. were accredited as High and New-technology Enterprises (the "HNTE") in 2015 and 2020 and were entitled to a preferential PRC Corporate Income Tax rate of 15% thereafter. The HNTE certificates need to be renewed every three years so as to enable Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. to enjoy the reduced tax rate of 15%. Shanghai Horizon Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% in the Relevant Periods and will continue to enjoy the tax rate of 15% for an additional year to 2023. Guangzhou Hongtu Equipment & Engineering Co., Ltd. is entitled to a tax rate of 15% from 2020 to 2022 and will continue to enjoy the tax rate of 15% for another three years from 2023 to 2025.

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current – Mainland China			
Charge for the year	148,591	274,607	296,107
Deferred tax (<i>note 16</i>)	(446)	(81,746)	(68,865)
	148,145	192,861	227,242
Total tax charge for the year	148,145	192,861	227,242

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Profit before tax	641,507	902,499	893,804
Tax at the statutory income tax rates	160,377	225,625	223,451
Lower tax rates for specific jurisdictions or enacted by local authority	(35,559)	(42,247)	(17,449)
Effect on opening deferred tax of changing in tax rate	11,382	–	–
Expenses not deductible for tax	7,998	3,136	1,699
Adjustment on current income tax in respect of prior years	4,559	3,030	(1,964)
Utilization of previously unrecognized tax losses and temporary differences	(3,773)	(2,505)	–
Unrecognized tax losses and temporary differences	3,161	5,822	21,505
Tax charge at the Group's effective rate	148,145	192,861	227,242

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

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment, materials and moulds for leasing and services RMB'000	Equipment, materials and moulds for own use RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:								
Cost	565,724	23,389	5,286,426	32,297	24,115	17,228	39,954	5,989,133
Accumulated depreciation and impairment	(42,597)	(8,552)	(1,165,468)	(6,706)	(10,555)	(9,906)	-	(1,243,784)
Net carrying amount	<u>523,127</u>	<u>14,837</u>	<u>4,120,958</u>	<u>25,591</u>	<u>13,560</u>	<u>7,322</u>	<u>39,954</u>	<u>4,745,349</u>
At 1 January 2020, net of accumulated depreciation and impairment	523,127	14,837	4,120,958	25,591	13,560	7,322	39,954	4,745,349
Additions	-	22,561	5,726,832	11,088	15,579	39,051	70,814	5,885,925
Disposals	-	-	(26,351)	(2,373)	(142)	(181)	-	(29,047)
Depreciation provided during the year	(28,691)	(10,248)	(716,448)	(4,187)	(6,791)	(7,436)	-	(773,801)
Transfer from right-of-use assets (note 14(a))	-	-	509,890	9,701	-	-	-	519,591
Transfer from construction in progress	5,266	-	11,445	-	-	-	(16,711)	-
At 31 December 2020, net of accumulated depreciation and impairment	<u>499,702</u>	<u>27,150</u>	<u>9,626,326</u>	<u>39,820</u>	<u>22,206</u>	<u>38,756</u>	<u>94,057</u>	<u>10,348,017</u>
At 31 December 2020:								
Cost	570,990	45,950	11,892,431	58,659	39,387	54,517	94,057	12,755,991
Accumulated depreciation and impairment	(71,288)	(18,800)	(2,266,105)	(18,839)	(17,181)	(15,761)	-	(2,407,974)
Net carrying amount	<u>499,702</u>	<u>27,150</u>	<u>9,626,326</u>	<u>39,820</u>	<u>22,206</u>	<u>38,756</u>	<u>94,057</u>	<u>10,348,017</u>

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31 December 2021

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021:								
Cost	570,990	45,950	11,892,431	58,659	39,387	54,517	94,057	12,755,991
Accumulated depreciation and impairment	(71,288)	(18,800)	(2,266,105)	(18,839)	(17,181)	(15,761)	–	(2,407,974)
Net carrying amount	<u>499,702</u>	<u>27,150</u>	<u>9,626,326</u>	<u>39,820</u>	<u>22,206</u>	<u>38,756</u>	<u>94,057</u>	<u>10,348,017</u>
At 1 January 2021, net of accumulated depreciation and impairment	499,702	27,150	9,626,326	39,820	22,206	38,756	94,057	10,348,017
Additions	–	14,050	9,466,576	9,220	20,801	19,621	61,808	9,592,076
Disposals	–	–	(402,791)	(1,918)	(141)	(95)	–	(404,945)
Depreciation provided during the year	(34,306)	(14,899)	(1,494,908)	(7,701)	(11,103)	(14,456)	–	(1,577,373)
Transfer from right-of-use assets (note 14(a))	–	–	320,281	7	–	–	–	320,288
Transfer from construction in progress	148,294	–	6,895	–	–	–	(155,189)	–
At 31 December 2021, net of accumulated depreciation and impairment	<u>613,690</u>	<u>26,301</u>	<u>17,522,379</u>	<u>39,428</u>	<u>31,763</u>	<u>43,826</u>	<u>676</u>	<u>18,278,063</u>
At 31 December 2021:								
Cost	719,284	60,000	21,374,014	64,680	57,874	72,705	676	22,349,233
Accumulated depreciation and impairment	(105,594)	(33,699)	(3,851,635)	(25,252)	(26,111)	(28,879)	–	(4,071,170)
Net carrying amount	<u>613,690</u>	<u>26,301</u>	<u>17,522,379</u>	<u>39,428</u>	<u>31,763</u>	<u>43,826</u>	<u>676</u>	<u>18,278,063</u>

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31 December 2022

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment, materials and moulds for leasing and services RMB'000	Equipment, materials and moulds for own use RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:								
Cost	719,284	60,000	21,374,014	64,680	57,874	72,705	676	22,349,233
Accumulated depreciation and impairment	(105,594)	(33,699)	(3,851,635)	(25,252)	(26,111)	(28,879)	-	(4,071,170)
Net carrying amount	<u>613,690</u>	<u>26,301</u>	<u>17,522,379</u>	<u>39,428</u>	<u>31,763</u>	<u>43,826</u>	<u>676</u>	<u>18,278,063</u>
At 1 January 2022, net of accumulated depreciation and impairment	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
Additions	27	20,979	3,164,519	14,922	7,812	10,962	1,170	3,220,391
Disposals	-	-	(184,750)	(479)	(222)	(14,221)	(1,465)	(201,137)
Depreciation provided during the year	(35,461)	(18,856)	(2,101,720)	(10,071)	(13,007)	(15,812)	-	(2,194,927)
Transfer from construction in progress	381	-	-	-	-	-	(381)	-
At 31 December 2022, net of accumulated depreciation and impairment	<u>578,637</u>	<u>28,424</u>	<u>18,400,428</u>	<u>43,800</u>	<u>26,346</u>	<u>24,755</u>	<u>-</u>	<u>19,102,390</u>
At 31 December 2022:								
Cost	719,692	80,979	24,156,638	78,282	63,261	63,065	-	25,161,917
Accumulated depreciation and impairment	(141,055)	(52,555)	(5,756,210)	(34,482)	(36,915)	(38,310)	-	(6,059,527)
Net carrying amount	<u>578,637</u>	<u>28,424</u>	<u>18,400,428</u>	<u>43,800</u>	<u>26,346</u>	<u>24,755</u>	<u>-</u>	<u>19,102,390</u>

Equipment, material and moulds previously accounted for in right-of-use assets have been transferred to be accounted for as property, plant and equipment when the relative lease payment obligations were settled and the Group obtained their legal titles.

Certain of the Group's property, plant and equipment with net carrying amounts of RMB1,281,741,000, RMB5,321,456,000 and RMB6,837,583,000 as at 31 December 2020, 2021 and 2022, respectively, were pledged to secure bank and other borrowings granted to the Group.

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Movements in provision for impairment of property, plant and equipment in the Relevant Periods are as follows:

	Equipment, materials and moulds for leasing and services <i>RMB'000</i>
At 1 January 2020	126,767
Transferred from right-of-use assets	23,312
Disposals	<u>(3,269)</u>
At 31 December 2020 and 1 January 2021	146,810
Transferred from right-of-use assets	12,919
Disposals	<u>(4,120)</u>
At 31 December 2021 and 1 January 2022	155,609
Disposals	<u>(2,115)</u>
At 31 December 2022	<u><u>153,494</u></u>

Measurement basis and major assumptions for determining the recoverable amount of the above asset groups are as follows:

The recoverable amount is determined based on the higher of the net amount of fair value of the cash generating unit ("CGU") less costs to sell and the present value of the estimated future cash flows of the CGUs ("VIU").

The VIUs were calculated by discounting the estimated future cash flows based on the forecast rentals earned from the CGUs with a forecast period ranging from 3.5 to 5 years, which is determined based on management's best estimate of the average remaining useful life and economic conditions of the assets of the respective CGUs. The cash flows over the forecast period had been determined based on historical rental arrangements such as rental income, occupancy rate, etc. The estimated future cash flows were discounted to their present value using pre-tax rates of 12%~14%, 11%~16% and 11%~16% as at 31 December 2020, 2021 and 2022, respectively, which reflected the market assessments of the time value of money and the risks specific to the CGUs.

The calculation of the fair value less costs to sell was based on observable market prices for the equipment with similar conditions and incremental costs for disposing of the asset.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, offices and equipment materials and moulds used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 1 and 6 years, while equipment generally has lease terms between 3 and 7 years or of 12 months or less and/or is individually of low value.

In 2021, the Group entered into a sale and leaseback transaction with an independent finance institution in order to improve the utilization of certain idle equipment, with a total net carrying amount of RMB263,000,000. The transfer of equipment by the Group is accounted for as a sale of asset when the control of the equipment had been transferred to the finance institution according to the contractual terms. The payments in connection with the lease back transaction is not included in lease liabilities given the lease back transaction satisfied the short-term lease requirements.

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(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land	Offices	Equipment, materials and moulds	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2020	200,218	93,164	1,016,130	1,309,512
Additions	–	112,944	–	112,944
Depreciation charge	(4,705)	(47,707)	(129,751)	(182,163)
Transfer to property, plant and equipment	–	–	(519,591)	(519,591)
Disposal	–	–	(38,821)	(38,821)
As at 31 December 2020	195,513	158,401	327,967	681,881
Additions	–	34,884	–	34,884
Depreciation charge	(4,705)	(62,879)	(7,679)	(75,263)
Transfer to property, plant and equipment	–	–	(320,288)	(320,288)
As at 31 December 2021	190,808	130,406	–	321,214
Additions	–	119,177	–	119,177
Depreciation charge	(4,705)	(72,995)	–	(77,700)
Disposal	–	(27,469)	–	(27,469)
As at 31 December 2022	<u>186,103</u>	<u>149,119</u>	<u>–</u>	<u>335,222</u>

As at 31 December 2020, 2021 and 2022, the Group has obtained all the land ownership certificates.

At the end of each of the Relevant Periods, no leasehold land of the Group was pledged as security for the Group's bank borrowings.

Measurement basis and major assumptions for determining the recoverable amount of the above equipment, materials and moulds categorized in right-of-use assets of the Group are disclosed in note 13 to the Historical Financial Information.

(b) Lease liabilities:

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year	2,022,465	720,743	126,288
New leases	112,944	34,884	119,177
Accretion of interest recognized during the year (note 10)	59,860	12,854	4,459
Payments	(1,474,526)	(642,193)	(94,133)
Disposal	–	–	(24,532)
Carrying amount at end of year	<u>720,743</u>	<u>126,288</u>	<u>131,259</u>
Analyzed into:			
Current portion	628,285	65,545	59,927
Non-current portion	92,458	60,743	71,332

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	59,860	12,854	4,459
Depreciation charge on right-of-use assets	182,163	75,263	77,700
Expense relating to leases of low-value assets and short-term leases (included in administrative expenses) (note 7)	1,978	3,398	25,653
Cost relating to leases of low-value assets and short-term leases (included in cost of sales)	16,565	18,907	156,227
	<u>260,566</u>	<u>110,422</u>	<u>264,039</u>
Total amount recognized in profit or loss	<u>260,566</u>	<u>110,422</u>	<u>264,039</u>

(d) The total cash outflow for leases is disclosed in note 32 to the Historical Financial Information.

The Group as a lessor

The Group mainly leases its equipment, materials and moulds in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the Relevant Periods amounted to RMB2,519,692,000, RMB4,501,876,000 and RMB5,440,268,000 for the years ended 31 December 2020, 2021 and 2022, respectively, details of which are included in note 5 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within one year	2,007,328	4,035,657	4,361,282
After one year but within two years	302,645	634,465	535,532
After two years but within three years	10,781	18,771	17,292
	<u>2,320,754</u>	<u>4,688,893</u>	<u>4,914,106</u>

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15. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Software			
At beginning of year:			
Cost	6,710	7,739	8,209
Accumulated amortization	(2,067)	(2,793)	(3,598)
Net carrying amount	<u>4,643</u>	<u>4,946</u>	<u>4,611</u>
Carrying amount at beginning of year:	4,643	4,946	4,611
Additions	1,029	470	–
Amortization provided during the year (note 7)	(726)	(805)	(814)
Carrying amount at end of year	<u>4,946</u>	<u>4,611</u>	<u>3,797</u>
At end of year:			
Cost	7,739	8,209	8,209
Accumulated amortization	(2,793)	(3,598)	(4,412)
Net carrying amount	<u>4,946</u>	<u>4,611</u>	<u>3,797</u>

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Government special subsidy RMB'000	Provision for impairment losses RMB'000	Salaries and benefits payable RMB'000	Deductible tax loss RMB'000	Accrued interest expenses RMB'000	Others RMB'000	Total RMB'000
1 January 2020	1,505	157,696	20,216	7	–	2,243	181,667
Deferred tax credited/(charged) to profit or loss during the year (note 11)	–	(80)	2,776	(7)	–	(2,243)	446
Gross deferred tax assets at 31 December 2020	1,505	157,616	22,992	–	–	–	182,113
Deferred tax credited/(charged) to profit or loss during the year (note 11)	–	47,762	31,027	–	–	2,957	81,746
Gross deferred tax assets at 31 December 2021	1,505	205,378	54,019	–	–	2,957	263,859
Deferred tax credited/(charged) to profit or loss during the year (note 11)	–	16,379	(18,131)	–	70,469	505	69,222
Gross deferred tax assets at 31 December 2022	<u>1,505</u>	<u>221,757</u>	<u>35,888</u>	<u>–</u>	<u>70,469</u>	<u>3,462</u>	<u>333,081</u>

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Deferred tax liabilities

	Others <i>RMB'000</i>
At 1 January 2020	4,480
Disposal of subsidiaries	(4,480)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	–
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	–
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	–
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	357
Gross deferred tax liabilities at 31 December 2022	<u>357</u>

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net deferred tax assets recognized in the consolidated statement of financial position	182,113	263,859	333,081
Net deferred tax liabilities recognized in the consolidated statement of financial position	–	–	357

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

At 31 December 2020, 2021 and 2022, no deferred tax liability has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2020, 2021 and 2022, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized were approximately RMB599,818,000, RMB1,364,623,000 and RMB2,322,520,000, respectively.

Tax losses arising in Mainland China will expire in five years for offsetting against future taxable profits. As at 31 December 2020, 2021 and 2022, the Group had tax losses of RMB65,545,000, RMB76,823,000 and RMB144,540,000, respectively, that will expire in one to five years. Tax losses arising in locations other than Mainland China will be available indefinitely for offsetting against future taxable profits. As at 31 December 2020, 2021 and 2022, the Group had tax losses of nil, RMB1,441,000 and RMB1,881,000, respectively with no expire date. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

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17. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Raw materials	84,358	126,256	84,697
Work in progress	14,206	77,871	18,799
Finished goods	67,193	87,238	82,721
	<u>165,757</u>	<u>291,365</u>	<u>186,217</u>

For the year ended 31 December 2022, an impairment loss on inventories of RMB19,063,000 (2021 and 2020: nil) was recognized as an expense.

At the end of each of the Relevant Periods, no inventories of the Group were pledged as security for the Group's bank borrowings.

18. TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables	3,103,878	5,033,365	5,387,345
ECLs	(574,026)	(835,107)	(900,355)
	<u>2,529,852</u>	<u>4,198,258</u>	<u>4,486,990</u>

Trade receivables mainly represent rentals and services receivables from tenants and engineering services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified individual customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables as at the end of each of the Relevant Periods, net of ECLs, are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 6 months	1,294,996	2,810,217	3,362,705
6 months to 1 year	623,737	804,785	516,793
1 to 2 years	396,172	372,692	454,728
2 to 3 years	128,220	131,084	79,021
Over 3 years	86,727	79,480	73,743
	<u>2,529,852</u>	<u>4,198,258</u>	<u>4,486,990</u>

The movements in the credit loss for trade receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	491,164	574,026	835,107
ECLs (note 7)	83,431	261,081	65,248
Amounts written off as uncollectible	(569)	–	–
At end of year	<u>574,026</u>	<u>835,107</u>	<u>900,355</u>

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A credit loss analysis was performed at the end of each of the Relevant Periods using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognized a credit loss based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

As at 31 December 2020

	Less than 6 months	6 months to 1 year	Aging 1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount (RMB'000)	1,476,452	727,114	515,568	193,998	190,746	3,103,878
Expected credit loss (RMB'000)	181,456	103,377	119,396	65,778	104,019	574,026
Expected credit loss rate	12.29%	14.22%	23.16%	33.91%	54.53%	18.49%

As at 31 December 2021

	Less than 6 months	6 months to 1 year	Aging 1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount (RMB'000)	3,197,216	928,094	528,138	216,627	163,290	5,033,365
Expected credit loss (RMB'000)	386,999	123,309	155,447	85,542	83,810	835,107
Expected credit loss rate	12.10%	13.29%	29.43%	39.49%	51.33%	16.59%

As at 31 December 2022

	Less than 6 months	6 months to 1 year	Aging 1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount (RMB'000)	3,836,536	617,821	664,177	126,479	142,332	5,387,345
Expected credit loss (RMB'000)	473,831	101,028	209,449	47,458	68,589	900,355
Expected credit loss rate	12.35%	16.35%	31.54%	37.52%	48.19%	16.71%

At the end of each of the Relevant Periods, no trade receivables of the Group were pledged as security for the Group's bank borrowings.

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19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current			
Prepayments	211,109	249,037	304,500
Deposits	89,850	98,454	337,415
Due from related parties (<i>note 36(c)</i>)	194,401	1,774	159
Other receivables	41,873	57,936	90,193
Tax recoverable	715,163	1,664,016	1,400,331
	<u>1,252,396</u>	<u>2,071,217</u>	<u>2,132,598</u>
ECLs	(17,312)	(15,728)	(28,779)
	<u>1,235,084</u>	<u>2,055,489</u>	<u>2,103,819</u>
Non-current			
Deposits	–	121,000	144,000
Others	–	–	31,079
	<u>–</u>	<u>–</u>	<u>31,079</u>
ECLs	–	(317)	(99)
	<u>–</u>	<u>120,683</u>	<u>174,980</u>
	<u>1,235,084</u>	<u>2,176,172</u>	<u>2,278,799</u>

A credit loss analysis was performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss.

Movements in the credit loss for amounts due from related parties, other receivables, and rental and project deposits are as follows:

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
At beginning of year	15,074	17,312	16,045
ECLs (<i>note 7</i>)	2,530	(1,267)	12,833
Disposal of subsidiaries	(292)	–	–
	<u>17,312</u>	<u>16,045</u>	<u>28,878</u>

20. CONTRACT ASSETS

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Contract assets arising from:			
Construction and related services	123,932	307,892	335,104
ECLs	(13,800)	(31,033)	(30,809)
	<u>110,132</u>	<u>276,859</u>	<u>304,295</u>

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Contract assets are initially recognized for revenue earned from construction and related services as the receipt of consideration depends on the milestone achieved and accepted by the customer. Included in contract assets for construction and related services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. The increase in contract assets during the Relevant Periods was the result of the increase in construction and related services provided at the end of each of the Relevant Periods.

The Group's credit policy with customers is disclosed in note 18 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within one year	110,132	276,859	263,583
1 to 2 years	–	–	40,712
	<u>110,132</u>	<u>276,859</u>	<u>304,295</u>

The movements of the credit loss of contract assets are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	11,274	13,800	31,033
ECLs (note 7)	<u>2,526</u>	<u>17,233</u>	<u>(224)</u>
At end of year	<u>13,800</u>	<u>31,033</u>	<u>30,809</u>

A credit loss analysis was performed at the end of each of the Relevant Periods using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognized a credit loss based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Gross carrying amount	123,932	307,892	335,104
Expected credit losses	13,800	31,033	30,809
Expected credit loss rate	11.14%	10.08%	9.19%

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other unlisted investment, at fair value	–	150,051	–
	<u>–</u>	<u>150,051</u>	<u>–</u>

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The above unlisted investment was wealth management product issued by Bank of Communications International Trust Co., Ltd. in Mainland China. It was classified as financial assets at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The unlisted investment was redeemed in 2022.

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Measured at fair values:			
Notes receivable	199,601	516,039	1,104,511
ECLs	(8,661)	(35,899)	(68,156)
	<u>190,940</u>	<u>480,140</u>	<u>1,036,355</u>

The above debt investments were classified as financial assets at fair value through other comprehensive income as the business model for the notes receivables was for both collecting contractual cash flows and discounting.

As at 31 December 2022, no notes receivable were pledged for other borrowings (2021: RMB100,000, 2020: nil).

A credit loss analysis was performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. At the end of each of the Relevant Periods, the ECLs of the notes receivables were measured based on the 12-month expected credit loss if they were not past due and if there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss.

Movements in the credit loss for debt investments at fair value through other comprehensive income are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	5,358	8,661	35,899
ECLs (note 7)	<u>3,303</u>	<u>27,238</u>	<u>32,257</u>
At end of year	<u>8,661</u>	<u>35,899</u>	<u>68,156</u>

Transferred financial assets that are not derecognized in their entirety:

During the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The carrying amounts of the trade payables settled by the Endorsed Bills during each of the year of 2020, 2021 and 2022 were RMB2,641,000, RMB9,037,000 and RMB119,338,000, respectively.

During each of the years of 2020, 2021 and 2022, the Group discounted certain bills receivable to banks in exchange for cash (the “Discounted Bills”) with carrying amounts of the bills receivable of RMB10,221,000, RMB6,797,000 and RMB34,979,000 respectively. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated interest-bearing bank borrowings.

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Transferred financial assets that are derecognized in their entirety:

During each of the years of 2020, 2021 and 2022, the Group endorsed/discounted certain bills receivable accepted by banks in Mainland China to certain of its suppliers or in exchange for cash (the "Derecognised Bills") with carrying amounts of RMB30,361,000, RMB523,618,000 and RMB137,006,000, respectively. In the opinion of the directors, the Group had transferred substantially all risk and rewards relating to the Derecognized Bills. Accordingly, it had derecognized the full carrying amount of the Derecognized Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash and bank balances	190,481	520,014	2,222,269
Less: Pledged deposits	(24,651)	(13,023)	(62,944)
Cash and cash equivalents	<u>165,830</u>	<u>506,991</u>	<u>2,159,325</u>

As at 31 December 2020, 2021 and 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB136,069,000, RMB477,955,000 and RMB2,169,289,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, 2021 and 2022, cash at banks of RMB24,651,000, RMB13,023,000 and RMB62,944,000 was respectively pledged for bank acceptances, letters of credit and others.

As at 31 December 2020, 2021 and 2022, cash at banks of RMB2,434,000, RMB2,693,000 and RMB2,259,000 was respectively deposited with Sinochem Finance Co., Ltd., a subsidiary of a group which has significant influence over the Company (note 36(c)).

24. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 1 year	755,532	1,367,239	1,002,327
1 to 2 years	97,004	45,334	84,800
2 to 3 years	25,375	11,405	9,751
Over 3 years	18,529	11,722	12,916
	<u>896,440</u>	<u>1,435,700</u>	<u>1,109,794</u>

The trade and bills payables are non-interest-bearing.

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25. OTHER PAYABLES AND ACCRUALS

	Notes	As at 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
Current				
Lease deposits		46,040	39,002	23,454
Salary and welfare payables		129,999	245,567	214,118
Advanced lease payments		76,298	530,560	251,934
Contract liabilities	(a)	36,960	114,520	47,047
Other taxes payable		125,139	215,766	85,005
Interest payable		24,240	63,555	65,775
Other payables	(b)	46,380	48,837	49,452
Due to related parties (note 36(c))		155,479	62	23
		<u>640,535</u>	<u>1,257,869</u>	<u>736,808</u>
Non-current				
Lease deposits		150,489	165,879	71,259
Interest payable		–	63,968	181,159
Provisions		–	11,868	13,848
		<u>150,489</u>	<u>241,715</u>	<u>266,266</u>
		<u>791,024</u>	<u>1,499,584</u>	<u>1,003,074</u>

Notes:

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Short-term advances received from customers			
Sale of goods	23,662	25,904	25,070
Engineering and technical services	13,298	88,616	21,977
	<u>36,960</u>	<u>114,520</u>	<u>47,047</u>
Total contract liabilities	<u>36,960</u>	<u>114,520</u>	<u>47,047</u>

Contract liabilities include short-term advances received to deliver goods and engineering and technical services. The change in contract liabilities in the Relevant Periods was mainly due to the change in short-term advances received from customers in relation to the delivery of goods and provision of engineering and technical services at the end of each of the Relevant Periods.

(b) Other payables are non-interest-bearing and repayable on demand.

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26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2020			At 31 December 2021			At 31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank borrowings – unsecured (c)	2.05-4.05	2021	912,826	3.35-5.10	2022	703,287	3.50-4.35	2023	435,350
Current portion of long term bank borrowings – unsecured	3.95-4.28	2021	1,060,378	1.30-5.35	2022	2,064,898	1.30-4.98	2023	3,051,294
Other borrowings from related parties (note 36(c))	4.19	2021	10,000	–	–	–	–	–	–
Other borrowings – unsecured	–	2021	12,863	0.00-5.10	2022	102,413	0.49-2.57	2023	37,571
Other borrowings – secured	3.95-5.16	2021	439,322	2.97-5.75	2022	2,194,334	2.97-5.75	2023	2,619,203
			<u>2,435,389</u>			<u>5,064,932</u>			<u>6,143,418</u>
Non-current									
Bank borrowings – unsecured	3.82-4.75	2022-2025	4,420,934	1.30-5.35	2023-2027	8,317,920	1.30-4.98	2024-2028	9,526,017
Other borrowings from related parties (note 36(c))	4.19	2022-2023	193,270	–	–	–	–	–	–
Other borrowings on ordinary shares with a redemption obligation (d)	–	–	–	8.00	2024	1,306,447	8.00	2024	1,427,118
Other borrowings – secured	3.93-5.16	2022-2023	767,920	2.97-5.75	2023-2025	3,008,467	2.97-5.68	2024-2029	4,115,561
			<u>5,382,124</u>			<u>12,632,834</u>			<u>15,068,696</u>
			<u>7,817,513</u>			<u>17,697,766</u>			<u>21,212,114</u>

Analysed into:

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Bank borrowings repayable:			
Within one year	1,973,204	2,768,185	3,486,645
In the second year	1,448,951	2,575,314	4,614,215
In the third to fifth years, inclusive	2,964,045	5,738,078	4,907,628
Beyond five years	7,938	4,528	4,173
	<u>6,394,138</u>	<u>11,086,105</u>	<u>13,012,661</u>
Other borrowings from related parties repayable:			
Within one year	10,000	–	–
In the second year	10,000	–	–
In the third to fifth years, inclusive	183,270	–	–
	<u>203,270</u>	<u>–</u>	<u>–</u>
Other borrowings repayable:			
Within one year	452,185	2,296,747	2,656,774
In the second year	421,898	1,567,255	3,137,285
In the third to fifth years, inclusive	346,022	2,747,659	2,222,440
Beyond five years	–	–	182,954
	<u>1,220,105</u>	<u>6,611,661</u>	<u>8,199,453</u>
	<u>7,817,513</u>	<u>17,697,766</u>	<u>21,212,114</u>

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Notes:

- (a) As at 31 December 2020, 2021 and 2022, the Group's other borrowings includes financial liabilities recognized in accordance with certain of leaseback transaction arrangements of the Group, which amounted to RMB1,207,242,000, RMB5,202,705,000 and RMB6,734,104,000, respectively, and were secured by the Group's property, plant and equipment. In addition, none of the Group's other borrowings were secured by notes receivable at 31 December 2022 (2021: RMB96,000 2020: nil). and the Group's other borrowings amounted to RMB660,000 were secured by deposits at 31 December 2022 (2021 and 2020: nil).
- (b) As at 31 December 2020, 2021 and 2022, the companies controlled by the Controlling Shareholder have guaranteed certain the Group's bank borrowings up to RMB2,206,678,000, nil and nil (note 39), respectively.
- (c) As at 31 December 2022, bank borrowings of RMB84,649,000 (2021: RMB87,837,000, 2020: nil) arose from supplier financing arrangements.
- (d) Other borrowings on ordinary shares with a redemption obligation:

Redemption right:

Pursuant to the Share Purchase Agreement signed by and among the [REDACTED] investors of the Group on 16 April 2021, shares shall be redeemed by the Company upon the occurrence of certain contingent events which cannot be controlled by the Company including a [REDACTED] of the Company on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The price of investors' shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in the Company plus all accrued but unpaid dividends.

Presentation and classification:

The redemption obligation gives rise to financial liabilities, which are measured at net present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of the Company at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. As at 31 December 2022, the balance of other borrowings on ordinary shares with a redemption obligation was RMB1,427,118,000 (2021: RMB1,306,447,000, 2020 nil).

- (e) All bank and other borrowings are denominated in RMB at the end of each of the Relevant Periods, except for other borrowings on ordinary shares with a redemption obligation of RMB1,427,118,000 (2021: RMB1,306,447,000, 2020: nil) equivalent and bank borrowings of RMB185,431,793 equivalent as at 31 December 2022, which are denominated in United States dollars.

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27. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		As at 31 December 2021		2022	
	Asset	Liability	Asset	Liability	Asset	Liability
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swap	-	-	-	(6,907)	2,379	-
Interest rate swap	-	-	-	-	-	(2,257)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,907)</u>	<u>2,379</u>	<u>(2,257)</u>
Portion classified as non-current:						
Cross-currency interest rate swap	-	-	-	(6,907)	2,379	-
Interest rate swap	-	-	-	-	-	(2,257)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,257)</u>

As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). The contract was not designated as hedge relationship, but was, nevertheless, intended to reduce the level of foreign currency exchange risks for the borrowings denominated in USD. Changes in the fair value of the non-hedging interest rate swap amounting to RMB9,286,000 (2021: RMB-6,907,000, 2020: nil) were charged to profit or loss during the year 2022.

As at 31 December 2022, the Group held one interest rate swap with China Construction Bank (2021: nil, 2020: nil). The contract was designated in hedge relationships, intended to reduce the risk of cash flow changes due to interest rate risk related to the borrowings denominated in RMB. Loss in the fair value of the hedging interest rate swap amounting to RMB2,257,000 (2021 and 2020: nil) were charged to other comprehensive income during the year 2022.

Cash flow hedge under HKFRS 9

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loans (i.e., notional amounts and expected payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward and swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

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The Group holds the following interest rate swap:

As at 31 December 2022

	Maturity					Total RMB'000
	Less than 3 months RMB'000	3 to 6 months RMB'000	6 to 9 months RMB'000	9 to 12 months RMB'000	1 to 3 years RMB'000	
Interest rate swap – Notional amount	–	–	–	–	267,522	267,522
Hedge rate	1	1	1	1	1	

The impacts of the hedging instruments on the statement of financial position is as follows:

As at 31 December 2022

	Notional amount RMB'000	Carrying amount RMB'000	Line item in the statement of financial position RMB'000	Change in fair value used for measuring hedge ineffectiveness for the year
Interest rate swap – Notional amount	267,522	2,257	Derivative financial instruments (liabilities)	–

The impacts of the hedged items on the statement of financial position are as follows:

As at 31 December 2022

	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000	Cash flow hedge reserve RMB'000
Interest rate swap	–	(2,257)
	–	(2,257)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

As at 31 December 2022

	Total hedging loss recognized in other comprehensive income			Hedge ineffectiveness recognized in profit or loss RMB'000	Line item in the statement of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000		
Interest rate swap – Notional amount	(2,257)	–	(2,257)	–	N/A
Hedge rate	1	1	2	1	1

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28. DEFERRED REVENUE

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	19,587	18,442	17,270
Amortized to profit or loss	(1,145)	(1,172)	(586)
At end of year	<u>18,442</u>	<u>17,270</u>	<u>16,684</u>

29. SHARE CAPITAL

Shares	As at 31 December		
	2020	2021	2022
Authorized and issued: 56,651 (2021: 56,651) shares of a par value of USD1.00 each	<u>50,000</u>	<u>56,651</u>	<u>56,651</u>
Equivalent to RMB	<u>327,000</u>	<u>370,000</u>	<u>370,000</u>

2020 share capital movement:

Pursuant to a new share subscription agreement signed between the Controlling Shareholder and the Company on 17 December 2020, an amount of RMB3,392,800,000 due to the Controlling Shareholder were converted into 36,466 new shares of the Company. Accordingly, the amount due to the Controlling Shareholder were derecognized and correspondingly new share capital of RMB238,000 and share premium of RMB3,392,562,000 were recorded respectively.

In addition, 13,534 new shares were issued for a total consideration of RMB1,348,080,000, of which RMB89,000 were recorded as share capital and RMB1,347,991,000 were recorded as share premium during the year.

2021 share capital movement:

On 16 April 2021, the [REDACTED] investors (a) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (b) Zoomlion International Trading (H.K.) Co., Limited, (c) GSPR Holdings Limited, (d) Zhejiang Dingli Machinery Co., Ltd., (e) LGMG International Limited, (f) Terex International Holdings 2 Limited and (g) Thrive Accomplish Limited entered into a Share Purchase Agreement with the Company and certain of its subsidiaries. These [REDACTED] investors subscribed for an aggregate of 6,651 shares of the Company at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms, among which shares shall be redeemable by the Company upon the occurrence of certain contingent events which cannot be controlled by the Company including a [REDACTED] of the Company on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The total consideration of RMB1,326,185,000 were recorded as new share capital of RMB43,000 and share premium of RMB1,326,142,000 respectively. Meanwhile, the redemption obligation gives rise to financial liabilities of RMB1,326,185,000 and debit to capital reserve accordingly.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020, 2021 and 2022 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

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(b) Merger reserve

The merger reserve of the Group represents the difference between the changes of the contribution from the then holding company before the completion of the Reorganization and the consideration paid by the Group for the business combination under common control.

The Company acquired several companies now comprising the Group from the Controlling Shareholder on 23 October 2020 for a total consideration of RMB1,629,862,000. These acquisitions were accounted for using the merger method as under common control. The merger reserve of RMB600,000,000 and RMB1,600,000,000 as of 31 December 2018, and as of the date before the completion of the Reorganization, represents the accumulated equity contribution made by the then holding company at the respective periods end. Upon the completion of the Reorganization, the merger reserve represents the net balances between the contribution from the then holding company and the deemed distribution of consideration of RMB1,629,862,000 paid to the then equity holder.

(c) Capital reserve

(1) Ordinary shares with a redemption obligation

Pursuant to the Share Purchase Agreement signed by and among the [REDACTED] investors of the Group on 16 April 2021, an aggregate of 6,651 ordinary shares with a redemption obligation were issued and allocated to the [REDACTED] investors at a consideration of USD204,910,000 (equivalent to RMB1,326,185,000) (note 26(d)). The redemption obligation was reclassified from the capital reserve to financial liabilities with an amount of RMB1,326,185,000, initially.

(2) Other capital reserve

Other capital reserve represents any difference between the carrying amount of net assets attributable to the non-controlling shareholders and the fair value of the consideration paid.

On 23 March 2020, Shanghai Horizon Construction Development Co., Ltd., a subsidiary of the group, acquired 45% equity interests in Shanghai Hongjin Equipment & Engineering Co., Ltd. from the non-controlling equity holder, Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司), for a consideration of RMB131,000,000.

On 2 June 2020, Shanghai Horizon Construction Development Co., Ltd., a subsidiary of the group, acquired 3.19% equity interests in Shanghai Horizon Equipment & Engineering Co., Ltd. from the non-controlling equity holder, Tianjin Hongliantianzhou Enterprise Management Consulting Center (Limited Partnership) (天津宏連天洲企業管理諮詢中心(有限合夥)), for a consideration of RMB59,589,000.

On 7 September 2020, as part of the Reorganization, Tianjin Horizon Construction Development Investment Co., Ltd., a subsidiary of the group, acquired a total 8.83% equity interests in Shanghai Horizon Construction Development Co., Ltd. from each of the non-controlling equity holders for a total consideration of RMB353,200,000.

The difference between the total consideration of RMB543,789,000, as mentioned above, and the carrying amount of net assets attributable to the non-controlling shareholders as at each of the acquisition dates with a total amount of RMB588,549,000 and after a special reserve adjustment of RMB395,000, was recorded in the capital reserve of RMB44,365,000.

(d) Special reserve

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Construction Engineering Equipment Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilized and transferred back to retained profits until such special reserve was fully utilized.

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(e) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the subsidiaries are required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends. As at 31 December 2020, 2021 and 2022, the amounts of the statutory surplus reserve were RMB125,353,000, RMB203,217,000 and RMB302,318,000, respectively. Such reserve was eliminated in the preparation of the Historical Financial Information.

31. DISPOSAL OF SUBSIDIARIES

(a) Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Pan Xian Yuhong Infrastructure Investment Co., Ltd.

Pursuant to the share transfer agreement dated 7 December 2020, the Group disposed of its 100% equity interests in Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Pan Xian Yuhong Infrastructure Investment Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司), for a consideration of RMB125,355,000 in total. The consideration was determined by reference to the corresponding value of the equity interests disposed of on the date of disposal.

	2020
	<i>RMB'000</i>
Net assets disposed of:	
Cash and bank balances	9
Prepayments, other receivables and other assets	113,783
Loans receivable	65,058
Trade and bills payables	(47,334)
Other payables and accruals	(89)
Tax payables	(1,957)
Deferred tax liabilities	(4,480)
	<u>124,990</u>
Gain on disposal of subsidiaries (<i>note 6</i>)	<u>365</u>
Satisfied by cash	<u><u>125,355</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020
	<i>RMB'000</i>
Cash consideration (<i>note 36(b)</i>)	125,355
Cash and bank balances disposed of	(9)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>125,346</u></u>

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(b) Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd.

Pursuant to the share transfer agreement dated 24 February 2021, the Group disposed of all its equity interests, which accounted for 89% of the shareholdings in Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd. for a consideration of RMB34,176,000 in total. The consideration was determined by reference to the corresponding value of the equity interests disposed of on the date of disposal.

	2021 RMB'000
Net assets disposed of:	
Cash and bank balances	35,228
Prepayments, other receivables and other assets	1
Tax payables	(60)
Non-controlling interests	(426)
	<u>34,743</u>
Gain on disposal of a subsidiary	(567)
	<u>34,176</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2021 RMB'000
Cash consideration (<i>note 36(b)</i>)	34,176
Cash and bank balances disposed of	(35,228)
	<u>(1,052)</u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the years ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB112,944,000, RMB34,884,000, and RMB119,177,000, respectively, in respect of lease arrangements for offices.

On 17 December 2020, the Company and the Controlling Shareholder entered into a capital subscription agreement, pursuant to which the Company has issued and the Controlling Shareholder has subscribed 36,466 shares for a total consideration of RMB3,392,800,000, of which RMB238,000 was recorded as share capital and RMB3,392,562,000 was recorded as share premium. Pursuant to the instruction note from the Controlling Shareholder, the consideration was offset by the balance due to the Controlling Shareholder.

For the years ended 31 December 2020, 2021 and 2022, the Group had entered certain supplier financing arrangements with the banks, under such arrangement, the banks as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with banks. No cashflow are involved, and no cashflow are presented to the consolidated financial statement of cash flows. The derecognition of the payables to the bank and other borrowings was amounted to nil, RMB87,837,000, and RMB84,649,000 respectively.

For the year ended 31 December 2022, certain account receivables of the Group had been settled by several customers through transferring some properties to the Group with an initial recognition amount of RMB31,079,000.

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(b) Changes in liabilities arising from financing activities

Year ended 31 December 2020

	Interest payable <i>RMB'000</i>	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	130,055	2,870,564	2,022,465	5,023,084
Changes in principal from financing cash flows	–	4,946,949	(1,293,075)	3,653,874
New leases	–	–	112,944	112,944
Interest accrued	244,124	–	59,860	303,984
Interest paid	(194,481)	–	(181,451)	(375,932)
	<u>179,698</u>	<u>7,817,513</u>	<u>720,743</u>	<u>8,717,954</u>
At 31 December 2020	<u>179,698</u>	<u>7,817,513</u>	<u>720,743</u>	<u>8,717,954</u>

Year ended 31 December 2021

	Interest payable <i>RMB'000</i>	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	179,698	7,817,513	720,743	8,717,954
Changes in principal from financing cash flows	–	9,811,481	(642,023)	9,169,458
Supplier financing arrangement	–	87,837	–	87,837
New leases	–	–	34,884	34,884
Foreign exchange movement	–	(19,065)	–	(19,065)
Interest accrued	637,464	–	12,854	650,318
Interest paid	(689,639)	–	(170)	(689,809)
	<u>127,523</u>	<u>17,697,766</u>	<u>126,288</u>	<u>17,951,577</u>
At 31 December 2021	<u>127,523</u>	<u>17,697,766</u>	<u>126,288</u>	<u>17,951,577</u>

Year ended 31 December 2022

	Interest payable <i>RMB'000</i>	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	127,523	17,697,766	126,288	17,951,577
Changes in principal from financing cash flows	–	3,292,920	(94,133)	3,198,787
Supplier financing arrangements	–	84,649	–	84,649
New leases	–	–	119,177	119,177
Disposal	–	–	(24,532)	(24,532)
Foreign exchange movements	9,130	136,779	–	145,909
Interest accrued	920,359	–	4,459	924,818
Interest paid	(810,078)	–	–	(810,078)
	<u>246,934</u>	<u>21,212,114</u>	<u>131,259</u>	<u>21,590,307</u>
At 31 December 2022	<u>246,934</u>	<u>21,212,114</u>	<u>131,259</u>	<u>21,590,307</u>

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(c) Total cash outflow for leases

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within operating activities	(18,543)	(22,305)	(181,880)
Within financing activities	(1,474,526)	(642,193)	(94,133)
	<u>(1,493,069)</u>	<u>(664,498)</u>	<u>(276,013)</u>

33. CONTINGENT LIABILITIES

Contingent liabilities were not material at the end of 31 December 2022 (2021 and 2020: nil).

34. PLEDGE OF ASSETS

Details of the Group's assets pledged under bank and other borrowings and restricted bank balances are contained in notes 13, 14, 22, 23 and 26 of the Historical Financial Information, respectively.

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Purchase of plant and machinery	<u>66,209</u>	<u>62,983</u>	<u>69,234</u>

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
Far East Horizon Limited (遠東宏信有限公司)	Controlling Shareholder
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司)	Company controlled by the Controlling Shareholder
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Company controlled by the Controlling Shareholder
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司)	Company controlled by the Controlling Shareholder
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司)	Company controlled by the Controlling Shareholder
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司)	Company controlled by the Controlling Shareholder
Shanghai Team Joy Management Limited (上海周濟同悅資產管理有限公司)	Company controlled by the Controlling Shareholder
Jinyun Hongye Traffic Investment Co., Ltd. (縉雲縣宏冶交通投資有限公司)	Company controlled by the Controlling Shareholder
Nanchang Hongdi Construction Co., Ltd. (南昌市宏迪建設有限公司)	Company controlled by the Controlling Shareholder

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Name of related party	Relationship with the Group
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司)	Company controlled by the Controlling Shareholder
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司)	Company controlled by the Controlling Shareholder
Yangzhou Jianglin Construction & Investment Co., Ltd. (揚州江臨投資建設有限公司)	Company controlled by the Controlling Shareholder
Yushan Yusheng Construction & Engineering Investment Co., Ltd. (玉山縣玉昇建設工程投資有限公司)	Company controlled by the Controlling Shareholder
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鐘祥宏瑞建設投資有限公司)	Company controlled by the Controlling Shareholder
Shanghai Baiyue Property Service Co., Ltd. (上海柏悅物業服務有限公司)	Company controlled by the Controlling Shareholder
Shanghai Gaozexiang Garden Eco Agriculture Co., Ltd. (上海高澤祥園生態農業有限責任公司)	Company controlled by the Controlling Shareholder
Shanghai Dopont Industrial Co., Ltd. (上海德朋實業有限公司)	Company controlled by the Controlling Shareholder
Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司)	Company controlled by key management personnel
Shanghai Lanjin Construction Machinery Leasing Co., Ltd. (上海藍金建築機械租賃有限公司)	Company controlled by key management personnel
Tianjin Lianhong Enterprise Management Consulting Center (Limited Partnership) (天津聯宏企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Tianjin Lianzhi Enterprise Management Consulting Center (Limited Partnership) (天津聯智企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Tianjin Liancheng Enterprise Management Consulting Center (Limited Partnership) (天津聯程企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Shaoxing Shangyu Boteng Metal Products Co., Ltd. (紹興市上虞博騰金屬製品有限公司)	Company controlled by a close family member of key management personnel
Shaoxing Shangyu Xinlongteng Metal Products Co., Ltd. (紹興市上虞鑫隆騰金屬製品有限公司)	Company controlled by a close family member of key management personnel
Sinochem Finance Co., Ltd. (中化集團財務有限責任公司)	Subsidiary of a group which has a significant influence over the Company
Sinochem International Tendering Co.,Ltd. (中化國際招標有限責任公司)	Subsidiary of a group which has a significant influence over the Company
Shanghai Jinmao Construction & Decoration Co., Ltd. (上海金茂建築裝飾有限公司)	Subsidiary of a group which has a significant influence over the Company
Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (中化重慶涪陵化工有限公司)	Subsidiary of a group which has a significant influence over the Company
Bluestar Engineering Co., Ltd. (藍星工程有限公司)	Subsidiary of a group which has a significant influence over the Company
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Associate of the Controlling Shareholder
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Joint venture of the Controlling Shareholder

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(b) In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
(1) Interest expenses	(i)			
International Far Eastern Leasing Co., Ltd.		60,657	3,947	–
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.		2,823	–	–
Far East Horizon Financial Leasing Co., Ltd.		2,635	–	–
Sinochem Finance Co., Ltd.		35,365	3,504	–
		<u>101,480</u>	<u>7,451</u>	<u>–</u>
(2) Interest income	(ii)			
International Far Eastern Leasing Co., Ltd.		7,313	699	–
Shanghai Horizon Construction Investment Co., Ltd.		350	–	–
Sinochem Finance Co., Ltd.		15	10	–
		<u>7,678</u>	<u>709</u>	<u>–</u>
(3) Operating lease income				
Bluestar Engineering Co., Ltd.	(iii)	–	–	5
Shanghai Jinmao Construction & Decoration Co., Ltd.	(iii)	–	–	83
Yangzhou Jianglin Construction & Investment Co., Ltd.	(iii)	271	–	–
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd.	(iii)	96	–	–
Yushan Yusheng Construction & Engineering Investment Co., Ltd.	(iii)	94	–	–
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd.	(iii)	94	–	–
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd.	(iii)	111	–	–
Guixi Hongyu Infrastructure Investment Co., Ltd.	(iii)	121	–	–
Jinyun Hongye Traffic Investment Co., Ltd.	(iii)	235	–	–
Nanchang Hongdi Construction Co., Ltd.	(iii)	117	–	–
Shanghai Baiyue Property Service Co., Ltd.	(iii)	82	35	213
Shanghai Team Joy Management Limited	(iv)	54	–	–
International Far Eastern Leasing Co., Ltd.	(iv)	158	165	165
		<u>1,433</u>	<u>200</u>	<u>466</u>

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	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
(4) Sale of goods Sinochem Fuling Chongqing Chemical Industry Co., Ltd.	(v)	—	—	248
		<u>—</u>	<u>—</u>	<u>248</u>
(5) Decoration fee Shanghai Yijia Construction Development Co., Ltd.	(vi)	7,951	1,284	5,668
		<u>7,951</u>	<u>1,284</u>	<u>5,668</u>
(6) Guarantee provided by related parties International Far Eastern Leasing Co., Ltd.	(vii)	2,236,678	—	—
		<u>2,236,678</u>	<u>—</u>	<u>—</u>
(7) Financial service fee Sinochem Finance Co., Ltd.		300	—	—
		<u>300</u>	<u>—</u>	<u>—</u>
(8) Consideration from disposal of subsidiaries Shanghai Horizon Construction Investment Co., Ltd.	(viii)	125,355	34,176	—
		<u>125,355</u>	<u>34,176</u>	<u>—</u>
(9) Purchases of goods Shaoxing Shangyu Xinlongteng Metal Products Co., Ltd. Shaoxing Shangyu Boteng Metal Products Co., Ltd.	(ix)	21 47,991	— 149,443	— 43,970
		<u>48,012</u>	<u>149,443</u>	<u>43,970</u>

Notes:

- (i) The interest expenses were charged at rates ranging from 4.19% to 8% per annum. The interest rates were determined based on loan contracts signed with related parties.
- (ii) The interest income was earned at a rate of 1.485% per annum. The interest rates were determined based on the fund pool contracts.
- (iii) The operating lease income from related parties arose from the operating lease of vehicles. The prices were determined on arm's length basis with reference to (a) the specifications, technical requirements, model and lease term of the service vehicles; and (b) the rates of service vehicles with similar specifications, technical requirements and model provided to the independent third parties for similar service vehicle leasing services.
- (iv) The operating lease income from related parties arose from the operating lease of premises. The prices were determined on arm's length basis with reference to (a) the location, type, quality, size, area and lease term of the premises; and (b) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the independent third parties for similar premises leasing services.

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- (v) The goods sold to the related parties were steel pipes. The transaction prices were determined on arm's length basis with reference to the prevailing market rates of steel pipes provided by the independent third parties.
- (vi) The decoration fee was determined on arm's length basis with reference to (a) the status, complexity and construction and decoration raw materials; and (b) the prevailing market rates of comparable construction and decoration services provided by the independent third parties.
- (vii) Except for a performance guarantee of RMB30,000,000 provided to the Group in the year ended 31 December 2020, all the guarantees represent the outstanding balance of the bank borrowings which were guaranteed by the subsidiaries of the Controlling Shareholder at the end of each of the Relevant Periods.
- (viii) Pursuant to the share transfer agreement dated 7 December 2020, the Group disposed of its 100% equity interests in Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Pan Xian Yuhong Infrastructure Investment Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd., for a consideration of RMB125,355,000 in total (note 31).

Pursuant to the share transfer agreement dated 24 February 2021, the Group disposed of all its equity interests, which accounted for 89% shareholdings in Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd., for a consideration of RMB34,176,000 in total (note 31).

- (ix) The transaction prices were determined on arm's length basis with reference to (a) the specification, model, unit price type and quality of the materials; and (b) the prevailing market rates of similar materials provided by the independent third parties.

- (c) Outstanding balances with related parties:

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(1) Due from related companies			
Prepayments, other receivables and other assets:			
Shaoxing Shangyu Boteng metal products Co., Ltd.	–	–	159
International Far Eastern Leasing Co., Ltd.	194,304	869	–
Shanghai Dopont Industrial Co., Ltd.	95	–	–
Shanghai Baiyue Property Service Co., Ltd.	2	–	–
Tianjin Lianhong Enterprise Management Consulting Center (Limited Partnership)	–	11	–
Tianjin Lianzhi Enterprise Management Consulting Center (Limited Partnership)	–	8	–
Tianjin Liancheng Enterprise Management Consulting Center (Limited Partnership)	–	8	–
Shanghai Yijia Construction Development Co., Ltd.	–	878	–
	<u>194,401</u>	<u>1,774</u>	<u>159</u>
Trade Receivables:			
Shanghai Baiyue Property Service Co., Ltd.	–	–	32
Shanghai Jinmao Construction & Decoration Co., Ltd.	–	–	28
	<u>–</u>	<u>–</u>	<u>60</u>

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	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
(2) Due to related companies			
Other payables and accruals			
Interest payables:			
International Far Eastern Leasing Co., Ltd.	155,458	40	–
	<u>155,458</u>	<u>40</u>	<u>–</u>
Other payables:			
Far East Horizon Limited	21	22	23
	<u>21</u>	<u>22</u>	<u>23</u>
Trade and bills payables:			
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	12,214	3,515	–
Shanghai Yijia Construction Development Co., Ltd.	–	–	922
	<u>12,214</u>	<u>3,515</u>	<u>922</u>

At the end of each of the Relevant Periods, the balances due from/to related parties were unsecured, interest-free and repayable on demand, except for the balances due from International Far Eastern Leasing Co., Ltd. and Shanghai Horizon Construction Investment Co., Ltd. through the fund pool and the fund pool borrowings (Interest rate: 1.485%) in other receivables.

At the end of each of the Relevant Periods, except for the trade and bills payables to Shaoxing Shangyu Boteng Metal Products Co., Ltd, the balances due from/to related parties were non-trade in nature. The directors of the Company expected that the non-trade amounts due from/to related entities will be fully settled before the [REDACTED] of the shares of the Company on the Stock Exchange or on demand, whichever is earlier.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
(3) Cash and cash equivalents deposited with a related company			
Sinochem Finance Co., Ltd. (note 23)	2,434	2,693	2,259
	<u>2,434</u>	<u>2,693</u>	<u>2,259</u>
(4) Lease and borrowing balances			
Lease liabilities			
International Far Eastern Leasing Co., Ltd.	511,963	–	–
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.	57,245	–	–
	<u>569,208</u>	<u>–</u>	<u>–</u>
Interest-bearing bank and other borrowings			
Sinochem Finance Co., Ltd.	203,270	–	–
	<u>203,270</u>	<u>–</u>	<u>–</u>

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(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	5,963	5,957	5,858
Post-employment benefits	92	266	282
	<u>6,055</u>	<u>6,223</u>	<u>6,140</u>

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

At 31 December 2020

Financial assets

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	2,529,852	–	2,529,852
Financial assets included in prepayments, other receivables and other assets	308,812	–	308,812
Debt investments at fair value through other comprehensive income	–	190,940	190,940
Restricted bank balances	24,651	–	24,651
Cash and cash equivalents	165,830	–	165,830
	<u>3,029,145</u>	<u>190,940</u>	<u>3,220,085</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	896,440
Financial liabilities included in other payables and accruals	422,628
Interest-bearing bank and other borrowings	7,817,513
Lease liabilities	720,743
	<u>9,857,324</u>

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At 31 December 2021

Financial assets

	Financial assets at amortized cost <i>RMB'000</i>	Financial assets at fair value through other comprehensive income <i>RMB'000</i>	Financial assets at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	4,198,258	–	–	4,198,258
Financial assets included in prepayments, other receivables and other assets	263,119	–	–	263,119
Debt investments at fair value through other comprehensive income	–	480,140	–	480,140
Financial assets at fair value through profit or loss	–	–	150,051	150,051
Restricted bank balances	13,023	–	–	13,023
Cash and bank balances	506,991	–	–	506,991
	<u>4,981,391</u>	<u>480,140</u>	<u>150,051</u>	<u>5,611,582</u>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	1,435,700	–	1,435,700
Financial liabilities included in other payables and accruals	381,303	–	381,303
Interest-bearing bank and other borrowings	17,697,766	–	17,697,766
Derivative financial instruments	–	6,907	6,907
Lease liabilities	126,288	–	126,288
	<u>19,641,057</u>	<u>6,907</u>	<u>19,647,964</u>

At 31 December 2022

Financial assets

	Financial assets at amortized cost <i>RMB'000</i>	Financial assets at fair value through other comprehensive income <i>RMB'000</i>	Financial assets at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	4,486,990	–	–	4,486,990
Financial assets included in prepayments, other receivables and other assets	542,730	–	–	542,730
Debt investments at fair value through other comprehensive income	–	1,036,355	–	1,036,355
Derivative financial instruments	–	–	2,379	2,379
Restricted bank balances	62,944	–	–	62,944
Cash and bank balances	2,159,325	–	–	2,159,325
	<u>7,251,989</u>	<u>1,036,355</u>	<u>2,379</u>	<u>8,290,723</u>

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Financial liabilities

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	1,109,794	–	1,109,794
Financial liabilities included in other payables and accruals	391,122	–	391,122
Interest-bearing bank and other borrowings	21,212,114	–	21,212,114
Derivative financial instruments	–	2,257	2,257
Lease liabilities	131,259	–	131,259
	<u>22,844,289</u>	<u>2,257</u>	<u>22,846,546</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing bank and other borrowings and lease liabilities are mostly on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

As at 31 December 2022, 2021 and 2020, the fair values of the other borrowings on ordinary shares with a redemption obligation were RMB1,346,221,000, RMB1,293,162,000 and nil, which were measured at amortized costs of RMB1,427,118,000, RMB1,306,447,000 and nil. The fair values of the redemption obligation have been calculated by discounting the expected future cash flows using a rate of 11.7203%, 7.9059% and nil, which was currently available for instruments with the same currency and similar terms and remaining maturities, taking into consideration the Group's own non-performance risk (Level 3).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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Assets and liabilities measured at fair value:

As at 31 December 2020

Financial assets

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	190,940	–	190,940

As at 31 December 2021

Financial assets and liabilities

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	150,051	–	150,051
Debt investments at fair value through other comprehensive income	–	480,140	–	480,140
Cross-currency interest rate swap – liabilities	–	(6,907)	–	(6,907)

As at 31 December 2022

Financial assets and liabilities

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	1,036,355	–	1,036,355
Cross-currency interest rate swap – assets	–	2,379	–	2,379
Interest rate swap – liabilities	–	(2,257)	–	(2,257)

For the financial assets at fair value through profit or loss, fair value was determined by the quoted price of the net asset value by financial institutions as at the end of the reporting period.

The fair values of debt investments at fair value through other comprehensive income have been calculated by discounting the future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Derivative financial instruments are the cross-currency interest rate swap and interest rate swap, whose fair value were calculated by discounting the future cash flows using the forward exchange rate and RMB risk-free rate that are observable market inputs.

The changes in fair values as a result of the Group for debt investments at fair value through other comprehensive income as at 31 December 2020, 2021 and 2022 were assessed to be insignificant.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, debt investments at fair value through other comprehensive income, restricted bank balances, financial assets included in prepayments, other receivables, and other assets, and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk, and interest rate risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB. The Group has transactional currency exposures. Such exposures mainly arise from the Group's interest-bearing bank and other borrowings that are denominated in USD. As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate (without considering the cross-currency interest rate swap with Bank of Ping An), with all other variables held constant, of the Group's profit before tax.

Year ended 31 December 2020

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
If RMB weakens against USD	1	544
If RMB strengthens against USD	(1)	(544)

Year ended 31 December 2021

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
If RMB weakens against USD	1	(14,555)
If RMB strengthens against USD	(1)	14,555

Year ended 31 December 2022

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
If RMB weakens against USD	1	(15,865)
If RMB strengthens against USD	(1)	15,865

(b) Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and contract assets are monitored on an ongoing basis.

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Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 31 December 2020, 2021 and 2022.

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Contract assets*	–	–	–		110,132	110,132
Trade receivables*	–	–	–		2,529,852	2,529,852
Financial assets included in prepayments, other receivables and other assets**	308,812	–	–		–	308,812
Debt investments at fair value through other comprehensive income	190,940	–	–		–	190,940
Restricted bank balances – Not yet past due	24,651	–	–		–	24,651
Cash and cash equivalents – Not yet past due	165,830	–	–		–	165,830
	<u>690,233</u>	<u>–</u>	<u>–</u>		<u>2,639,984</u>	<u>3,330,217</u>

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Contract assets*	–	–	–		276,859	276,859
Trade receivables*	–	–	–		4,198,258	4,198,258
Financial assets included in prepayments, other receivables and other assets**	263,119	–	–		–	263,119
Debt investments at fair value through other comprehensive income	480,140	–	–		–	480,140
Restricted bank balances – Not yet past due	13,023	–	–		–	13,023
Cash and cash equivalents – Not yet past due	506,991	–	–		–	506,991
	<u>1,263,273</u>	<u>–</u>	<u>–</u>		<u>4,475,117</u>	<u>5,738,390</u>

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As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Contract assets*	–	–	–	304,295	304,295
Trade receivables*	–	–	–	4,486,990	4,486,990
Financial assets included in prepayments, other receivables and other assets**	542,730	–	–	–	542,730
Debt investments at fair value through other comprehensive income	1,036,355	–	–	–	1,036,355
Derivative financial instruments	2,379	–	–	–	2,379
Restricted bank balances – Not yet past due	62,944	–	–	–	62,944
Cash and cash equivalents – Not yet past due	2,159,325	–	–	–	2,159,325
	<u>3,803,733</u>	<u>–</u>	<u>–</u>	<u>4,791,285</u>	<u>8,595,018</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the credit risk exposure is disclosed in notes 18 and 20 to the Historical Financial Information, respectively.

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

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

(c) Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, are as follows:

At 31 December 2020

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Trade and bills payables	43,904	852,536	–	–	896,440
Financial liabilities included in other payables and accruals	–	272,139	150,489	–	422,628
Interest-bearing bank and other borrowings	–	2,741,309	5,751,153	8,036	8,500,498
Lease liabilities	–	666,574	89,619	5,100	761,293
	<u>43,904</u>	<u>4,532,558</u>	<u>5,991,261</u>	<u>13,136</u>	<u>10,580,859</u>

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At 31 December 2021

	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	23,127	1,412,573	–	–	1,435,700
Financial liabilities included in other payables and accruals	–	151,456	229,847	–	381,303
Interest-bearing bank and other borrowings	–	6,123,364	13,496,186	203,675	19,823,225
Derivative financial instruments	–	–	6,907	–	6,907
Lease liabilities	–	67,683	63,994	3,400	135,077
	<u>23,127</u>	<u>7,755,076</u>	<u>13,796,934</u>	<u>207,075</u>	<u>21,782,212</u>

At 31 December 2022

	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	22,666	1,087,128	–	–	1,109,794
Financial liabilities included in other payables and accruals	–	138,704	252,418	–	391,122
Interest-bearing bank and other borrowings	1,752	6,882,726	16,079,613	160,267	23,124,358
Derivative financial instruments	–	–	2,257	–	2,257
Lease liabilities	–	64,116	74,303	333	138,752
	<u>24,418</u>	<u>8,172,674</u>	<u>16,408,591</u>	<u>160,600</u>	<u>24,766,283</u>

(d) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease liabilities. As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). As at 31 December 2022, the Group held one interest rate swap with China Construction Bank (2021: nil, 2020: nil). The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

At 31 December 2020

	Interest- free <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets:					
Restricted bank balances	–	24,009	642	–	24,651
Cash and cash equivalents	–	165,830	–	–	165,830
Trade receivables	2,529,852	–	–	–	2,529,852
Financial assets included in prepayments, other receivables and other assets	308,812	–	–	–	308,812
Debt investments at fair value through other comprehensive income	190,940	–	–	–	190,940
Total financial assets	<u>3,029,604</u>	<u>189,839</u>	<u>642</u>	<u>–</u>	<u>3,220,085</u>

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	Interest-free <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Financial liabilities:					
Trade and bills payables	896,440	–	–	–	896,440
Financial liabilities included in other payables and accruals	422,628	–	–	–	422,628
Interest-bearing bank and other borrowings	–	7,234,820	578,251	4,442	7,817,513
Lease liabilities	–	720,743	–	–	720,743
	<u>1,319,068</u>	<u>7,955,563</u>	<u>578,251</u>	<u>4,442</u>	<u>9,857,324</u>
Total financial liabilities	<u>1,319,068</u>	<u>7,955,563</u>	<u>578,251</u>	<u>4,442</u>	<u>9,857,324</u>

At 31 December 2021

	Interest-free <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets:					
Restricted bank balances	–	13,023	–	–	13,023
Cash and cash equivalents	–	506,991	–	–	506,991
Trade receivables	4,198,258	–	–	–	4,198,258
Financial assets included in prepayments, other receivables and other assets	263,119	–	–	–	263,119
Debt investments at fair value through other comprehensive income	480,140	–	–	–	480,140
Financial assets at fair value through profit or loss	150,051	–	–	–	150,051
	<u>5,091,568</u>	<u>520,014</u>	<u>–</u>	<u>–</u>	<u>5,611,582</u>
Total financial assets	<u>5,091,568</u>	<u>520,014</u>	<u>–</u>	<u>–</u>	<u>5,611,582</u>
Financial liabilities:					
Trade and bills payables	1,435,700	–	–	–	1,435,700
Financial liabilities included in other payables and accruals	381,303	–	–	–	381,303
Interest-bearing bank and other borrowings	–	13,736,293	3,961,473	–	17,697,766
Derivative financial instruments	6,907	–	–	–	6,907
Lease liabilities	–	126,288	–	–	126,288
	<u>1,823,910</u>	<u>13,862,581</u>	<u>3,961,473</u>	<u>–</u>	<u>19,647,964</u>
Total financial liabilities	<u>1,823,910</u>	<u>13,862,581</u>	<u>3,961,473</u>	<u>–</u>	<u>19,647,964</u>

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At 31 December 2022

	Interest-free	Less than	1 to 5 years	More than	Total
	<i>RMB'000</i>	<i>1 year</i>	<i>RMB'000</i>	<i>5 years</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets:					
Restricted bank balances	–	62,944	–	–	62,944
Cash and cash equivalents	–	2,159,325	–	–	2,159,325
Trade receivables	4,486,990	–	–	–	4,486,990
Financial assets included in prepayments, other receivables and other assets	542,730	–	–	–	542,730
Debt investments at fair value through other comprehensive income	1,036,355	–	–	–	1,036,355
Derivative financial instruments	2,379	–	–	–	2,379
Total financial assets	<u>6,068,454</u>	<u>2,222,269</u>	<u>–</u>	<u>–</u>	<u>8,290,723</u>
Financial liabilities:					
Trade and bills payables	1,109,794	–	–	–	1,109,794
Financial liabilities included in other payables and accruals	391,122	–	–	–	391,122
Interest-bearing bank and other borrowings	1,752	17,209,018	3,731,344	270,000	21,212,114
Derivative financial instruments	2,257	–	–	–	2,257
Lease liabilities	–	131,259	–	–	131,259
Total financial liabilities	<u>1,504,925</u>	<u>17,340,277</u>	<u>3,731,344</u>	<u>270,000</u>	<u>22,846,546</u>

The following table demonstrates the sensitivity to a reasonably possible change in interest rate (without considering the cross-currency interest rate swap with Bank of Ping An and the interest rate swap with China Construction Bank), with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax		
	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in basis points			
+100 basis points	(62,783)	(82,621)	(104,765)
- 100 basis points	62,783	82,621	104,765

(e) Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt, or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, less cash and cash equivalents. Total equity includes equity attributable to equity holders of the parent and non-controlling interests.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	7,817,513	17,697,766	21,212,114
Lease liabilities	720,743	126,288	131,259
Less: Cash and cash equivalents	<u>(165,830)</u>	<u>(506,991)</u>	<u>(2,159,325)</u>
Net debt	<u>8,372,426</u>	<u>17,317,063</u>	<u>19,184,048</u>
Total equity	<u>5,301,749</u>	<u>6,010,961</u>	<u>6,675,235</u>
Total equity and net debt	<u>13,674,175</u>	<u>23,328,024</u>	<u>25,859,283</u>
Gearing ratio	<u>61%</u>	<u>74%</u>	<u>74%</u>

40. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(i) Prepayments, other receivables and other assets

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Due from Horizon Construction (Hong Kong) Limited	4,674,526	5,976,340	5,979,900
Due from Horizon Construction overseas (Hong Kong) Limited	–	–	1,908
Others	<u>–</u>	<u>–</u>	<u>8,732</u>
	<u>4,674,526</u>	<u>5,976,340</u>	<u>5,990,540</u>

The amount due from related parties are unsecured, non-interest-bearing and repayable on demand.

(ii) Cash and cash equivalents

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>54,411</u>	<u>44,233</u>	<u>22,438</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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(iii) Other payables and accruals

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current			
Accrued [REDACTED] expenses	10,855	12,372	40,505
Non-current			
Interest payable	–	63,968	181,159
	<u>10,855</u>	<u>76,340</u>	<u>221,664</u>

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

(iv) Other borrowings

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Other borrowings on ordinary shares with a redemption obligation (note 26(d))	–	1,306,447	1,427,118

41. EVENTS AFTER THE RELEVANT PERIODS

There have been no significant events since the end of the Relevant Periods.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.