CSCEC CAPITAL (HONG KONG) LIMITED

Report of the directors and Financial statements

For the year ended 31 December 2022

CSCEC CAPITAL (HONG KONG) LIMITED

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CSCEC CAPITAL (HONG KONG) LIMITED

CSCEC CAPITAL (HONG KONG) LIMITED
中建資本(香港)有限公司

REPORT OF THE DIRECTORS

The directors present their report and the consolidated audited financial statements of CSCEC Capital (Hong Kong) Limited (the "Company", together with its subsidiary, the "Group") for the year ended 31 December 2022.

Principal activities and business review

The principal activities of the Group are financing, leasing, restructuring and other related management services. There were no significant changes in the nature of the Group's principal activities during the year.

During the reporting period, the Group's total revenue was US$24.22 million, representing a 22.32% decrease from the US$31.18 million recorded for 2021. The Group recorded a net profit of US$32.51 million during the reporting period, representing a 134.22% increase over the US$13.88 million in 2021, The overall net profit ratio was 134.24%, representing an increase of 89.71% compared with the 44.52% of 2021. This was mainly due to the appreciation of USD against RMB, which increased other gains. Other than this event, there were no significant changes in the nature of the Group's principal activities during the year.

Recommended dividend

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of the shares issued on 31 December 2022 are set out in note 20 to the consolidated financial statements.

Directors

The directors of the Company during the year were:

Mr. Xie Song
Mr. Zhao Shaoran
Ms. Sun Yanqing

Directors' interests

At no time during the year was the Group or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Group or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming board of directors.

ON BEHALF OF THE BOARD

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Director Director

Hong Kong
21 June 2023

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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Independent auditor's report

To the member of CSCEC Capital (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CSCEC Capital (Hong Kong) Limited (the "Company") and its subsidiary (the "Group") set out on pages 5 to 40, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

Independent auditor's report (continued)
To the member of CSCEC Capital (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Independent auditor's report (continued)
To the member of CSCEC Capital (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Certified Public Accountants
Hong Kong
21 June 2023

中建資本(香港)有限公司

CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPERENENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 US$	2021 US$
REVENUE	4	24,217,569.25	31,180,968.10
Other income	5	733,284.95	2,281,680.91
Other gains/(losses), net	6	19,090,049.87	3,923,739.72
Administrative expenses		(9,136.48)	(34,417.99)
Other expenses		-	(28,908.96)
Finance income	8	138,120.16	37,481.05
Finance costs	9	(25,928,216.03)	(39,735,317.90)
Share of profit of an associate		14,267,021.52	16,539,053.89
PROFIT BEFORE TAX	7	32,508,693.24	14,164,278.82
Income tax expense	10	(70.18)	(281,059.41)
PROFIT FOR THE YEAR		32,508,623.06	13,883,219.41
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate		(305,407.68)	(611,434.52)
Income tax effect		-	-
		(305,407.68)	(611,434.52)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate		(183,684.06)	23,809.66
Income tax effect		-	-
		(183,684.06)	23,809.66
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(489,091.74)	(587,624.86)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32,019,531.32	13,295,594.55

CSCEC CAPITAL (HONG KONG) LIMITED

中建資本(香港)有限公司 CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 US$	2021 US$
NON-CURRENT ASSETS			
Investment in an associate	11	244,424,593.24	235,781,329.50
Amounts due from fellow subsidiaries	12	370,372,500.00	390,000,000.00
Total non-current assets		614,797,093.24	625,781,329.50
CURRENT ASSETS			
Financial assets at fair value through profit or loss	13	-	7,473,440.00
Other receivables	14	-	33,600.00
Tax receivable	15	240,985.28	2,928,338.74
Amounts due from fellow subsidiaries	12	320,001,506.41	420,447,572.79
Cash and cash equivalents	16	56,098,782.39	82,633,680.69
Total current assets		376,341,274.08	513,516,632.22
TOTAL ASSETS		991,138,367.32	1,139,297,961.72

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CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2022

	Notes	2022 US$	2021 US$
LIABILITIES			
CURRENT LIABILITIES			
Guaranteed notes payable due within one year	17	-	499,648,813.79
Other payables	18	-	48,582,004.22
Total current liabilities		-	548,230,818.01
NET CURRENT ASSETS/(LIABILITIES)		376,341,274.08	(34,714,185.79)
TOTAL ASSETS LESS CURRENT LIABILITIES		991,138,367.32	591,067,143.71
NON-CURRENT LIABILITIES			
Amounts due to fellow subsidiaries	19	435,167,895.13	67,443,574.82
Guaranteed notes payable	17	497,203,784.25	496,876,412.27
Total non-current liabilities		932,371,679.38	564,319,987.09
TOTAL LIABILITIES		932,371,679.38	1,112,550,805.10
NET ASSETS		58,766,687.94	26,747,156.62
EQUITY			
Share capital	20	129,018.00	129,018.00
Other reserves	21	(3,888,448.43)	(3,399,356.69)
Retained earnings	22	62,526,118.37	30,017,495.31
TOTAL EQUITY		58,766,687.94	26,747,156.62
TOTAL LIABILITIES AND EQUITY		991,138,367.32	1,139,297,961.72

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Director Director

CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital US$	Other reserves US$	Retained profits US$	Total equity US$
At 1 January 2022	129,018.00	(3,399,356.69)	30,017,495.31	26,747,156.62
Profit for the year	-	-	32,508,623.06	32,508,623.06
Other comprehensive income for the year:				
Share of other comprehensive income of an associate	-	(489,091.74)	-	(489,091.74)
Total comprehensive income for the year	-	(489,091.74)	32,508,623.06	32,019,531.32
At 31 December 2022	129,018.00	(3,888,448.43)	62,526,118.37	58,766,687.94

	Share capital US$	Other reserves US$	Retained profits US$	Total equity US$
At 1 January 2021	129,018.00	(2,811,731.83)	16,134,275.90	13,451,562.07
Profit for the year	-	-	13,883,219.41	13,883,219.41
Other comprehensive income for the year:				
Share of other comprehensive income of an associate	-	(587,624.86)	-	(587,624.86)
Total comprehensive income for the year	-	(587,624.86)	13,883,219.41	13,295,594.55
At 31 December 2021	129,018.00	(3,399,356.69)	30,017,495.31	26,747,156.62

CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 US$	2021 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		32,508,693.24	14,164,278.82
Adjustments for:			
Finance expenses	9	25,926,857.79	39,733,738.30
Interest income	8	(138,120.16)	(37,481.05)
Fair value (gains)/losses on financial assets at fair value through profit or loss	6	(454,060.00)	636,000.00
Dividend and interest income on financial assets at fair value through profit or loss	5	(375,500.69)	(1,923,896.65)
Share of profit of an associate		(14,267,021.52)	(16,539,053.89)
Foreign exchange gains, net		(18,635,989.87)	(4,559,739.72)
		24,564,858.79	31,473,845.81
Decrease in amounts due from fellow subsidiaries		120,073,566.38	454,635,471.37
Decrease in amounts due to fellow subsidiaries		(32,937,560.01)	(59,405,730.03)
Cash generated from operations		111,700,865.16	426,703,587.15
Interest received		138,120.16	37,481.05
Interest paid		(32,138.40)	-
Overseas taxes received/(paid)		2,687,283.28	(40,134.29)
Net cash flows from operating activities		114,494,130.20	426,700,933.91

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CSCEC CAPITAL (HONG KONG) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2022

	Notes	2022 US$	2021 US$
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from an associate and interest received from the financial assets at fair value through profit or loss		5,544,710.79	5,896,653.38
Proceeds on disposals of financial assets at fair value through profit or loss		7,927,500.00	24,475,000.00
Net cash flows from investing activities		13,472,210.79	30,371,653.38
CASH FLOWS FROM FINANCING ACTIVITIES	24		
Cash received from fellow subsidiaries		367,724,320.31	67,443,574.82
Interest paid		(40,750,000.00)	(38,846,415.20)
Redemption of guaranteed notes payable		(500,000,000.00)	(500,000,000.00)
Net cash flows used in financing activities		(173,025,679.69)	(471,402,840.38)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(45,059,338.70)	(14,330,253.09)
Cash and cash equivalents at beginning of year		82,633,680.69	97,367,493.98
Effect of foreign exchange rate changes, net		18,524,440.40	(403,560.20)
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	56,098,782.39	82,633,680.69

1. CORPORATE INFORMATION

CSCEC Capital (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 30 October 2015. The registered office of the Company is located at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

During the year, The Company and its subsidiary (together, the "Group") was principally engaged in financing, leasing, restructuring and other related management services.

The directors of the Company consider that the Company's ultimate holding company is China State Construction Engineering Corporation, an entity established in the People's Republic of China (the "PRC"). The Group's immediate holding company is China State Construction Engineering Corporation Limited ("CSCEC"), an entity established in the PRC and listed on the Shanghai Stock Exchange.

<u>Information about subsidiary</u>

Particulars of the Company's subsidiary is as follows:

Name	Place of incorporation/ registration and operations	Registered share capital	Direct percentage of equity attributable to the Company
CSCEC Finance (Cayman) II Limited ("CSCEC (Cayman) II")	Cayman Islands/ Hong Kong	US$ 100	100.00

CSCEC Finance (Cayman) I Limited completed the deregistration at 31 March 2022.

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in United States dollars ("US$").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current year's consolidated financial statements, which are applicable to the Group.

Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*
Prior to the initial application of the amendments, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and none of them was onerous. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied any of the new or revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2022 in these financial statements. Among these HKFRSs, the following are expected to be relevant to the Group's financial statements upon becoming effective:

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[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 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.

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Company's voting rights and potential voting rights.

The results of subsidiary is included in the Group's statement of profit or loss to the extent of dividends received and receivable. The Group's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates are included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

The above accounting policy for investment in an associate also applies to the Company's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

Or

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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 are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in finance income.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Group has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Group's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss even when the assets are sold.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment

The Group applies the expected credit loss model on all the financial assets that are subject to impairment under HKFRS 15.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Group is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where 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. 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.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include other borrowings and other monetary liabilities. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the 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.

(a) Provision of management services
Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

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

Income tax

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Borrowing costs

Borrowing costs are expensed in the statement of profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Revenue recognition

The Group applies judgements in determining the amount and timing of revenue arising from the sale of electronic and industrial products. The Group concluded that revenue is recognised at the point in time when the control over the products is transferred to the customers, that is, when the customers obtain the physical possession or the legal title of the products and the Group has the present right of payment and the collection of the consideration is probable.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

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

Impairment of other receivables and amounts due from fellow subsidiaries

The impairment provisions for other receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the other receivables and amounts due from fellow subsidiaries are given in note 14 and 12 to the financial statements.

4. REVENUE

Revenue is analysed as follows:

	2022	2021
	US$	US$
Interest income from fellow subsidiaries	24,217,569.25	31,180,968.10

5. OTHER INCOME

	2022	2021
	US$	US$
Dividend and interest income from financial assets at fair value through profit or loss	375,500.69	1,923,896.65
Entrustment management income from a fellow subsidiary	357,784.26	357,784.26
	733,284.95	2,281,680.91

6. OTHER GAINS/(LOSSES), NET

	2022	2021
	US$	US$
Fair value gain/(loss) on financial assets at fair value through profit or loss	454,060.00	(636,000.00)
Net foreign exchange gain	18,635,989.87	4,559,739.72
	19,090,049.87	3,923,739.72

7. PROFIT BEFORE TAX

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

	Notes	2022 US$	2021 US$
Dividend and interest income of financial assets at fair value through profit or loss	*5*	(375,500.69)	(1,923,896.65)
Changes in fair value of financial assets at fair value through profit or loss	*6*	(454,060.00)	636,000.00
Net foreign exchange gain	*6*	(18,635,989.87)	(4,559,739.72)
Interest expenses of guaranteed notes	*9*	25,926,857.79	39,733,738.30
Employee benefit expense (including directors' remuneration) *		-	-

*The Company's directors did not receive any fees or emoluments in respect of their services rendered to the Group during the year (2021: Nil).

8. FINANCE INCOME

	2022 US$	2021 US$
Interest income on bank deposits	138,120.16	37,481.05

9. FINANCE COSTS

	2022 US$	2021 US$
Interest expenses of guaranteed notes	25,784,113.98	39,637,323.10
Interest expenses of amount due to fellow subsidiaries	142,743.81	96,415.20
Bank charges	1,358.24	1,579.60
	25,928,216.03	39,735,317.90

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. The profits of the Company's subsidiary, CSCEC (Cayman) II incorporated in the Cayman Islands, are tax exempted. 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.

	2022 US$	2021 US$
PRC withholding tax	70.18	281,059.41

The income tax expenses for the year are reconciled to the profit before tax per the consolidated income statement as follows:

	2022 US$	2021 US$
Profit before tax	32,508,693.24	14,164,278.82
Tax at the statutory tax rate of 16.5%	5,363,934.38	2,337,106.01
Income not subject to tax	(2,354,058.55)	(2,728,943.90)
Temporary differences not recognised	-	104,940.00
Reversal of temporary differences	(74,919.90)	-
Utilisation of tax losses previously not recognised	(2,934,955.93)	-
Tax losses not recognised	-	286,897.89
PRC withholding income tax	70.18	281,059.41
Tax charge	70.18	281,059.41

11. INVESTMENT IN AN ASSOCIATE

	2022 US$	2021 US$
Share of net assets	244,424,593.24	235,781,329.50

Particulars of the subsidiary as at the end of the reporting period are as follows:

Name	Place of incorporation	Percentage of ordinary shares directly held by the Company	Principal activities
Everbright Securities Company Limited	The PRC	3.01%	Securities

11. INVESTMENT IN AN ASSOCIATE (continued)

Everbright Securities Company Limited, which is considered a material associate of the Group, is a strategic partner of the Group engaged in asset management and is accounted for using the equity method.

The Group has accredited director to the board of directors of Everbright Securities Company Limited over which it is in a position to exercise significant influence, and Mr. Tian Wei, a director of the Company was appointed as the director of Everbright Securities Company Limited.

During the year of 2022, the adjusted profits of the Everbright Securities Company Limited is US$473,987,425.91, and the adjusted equity attributable to owners of the Everbright Securities Company Limited is US$8,120,418,379.73.

The following table illustrates the summarised financial information in respect of Everbright Securities Company Limited adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022	2021
	US$	US$
Total assets	37,544,545,183.17	36,615,727,444.39
Total liabilities	27,938,343,516.37	27,883,935,945.86
Non-controlling interests	1,485,783,286.73	898,524,737.73
Equity attributable to owners of the parent	8,120,418,380.07	7,833,266,760.80
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership (%)	3.01	3.01
Carrying amount of the investment	244,424,593.24	235,781,329.50
Revenue	1,607,944,598.66	2,587,611,560.22
Profit attributable to owners of the parent	473,987,425.91	549,470,228.90
Other comprehensive income for the year attribute to owners of the parent	(16,248,895.02)	(19,522,420.60)
Dividend received	5,134,666.04	3,661,592.27
Fair value of the Group's investment	93,292,637.57	102,586,719.71

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2022	2021
	US$	US$
Loans to fellow subsidiaries	670,372,500.00	796,756,996.51
Interest fee	19,246,595.41	13,074,482.07
Management fee	754,911.00	616,094.21
	690,374,006.41	810,447,572.79
Less non-current portion:		
Loans to fellow subsidiaries	(370,372,500.00)	(390,000,000.00)
	320,001,506.41	420,447,572.79

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for fellow subsidiaries with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loans to fellow subsidiaries are unsecured with interest rates ranging from 3.20% to 4.50% per annum and repayable upon the requirements of loan agreements.

13. FINANCIAL ASSETST AT FAIR VALUE THROUGH FROFIT OR LOSS

	2022	2021
	US$	US$
Trading debt investments-listed	-	7,473,440.00

Changes in fair values of financial assets at fair value through profit or loss are recorded in ‘other gains/(losses) - net’ in the statement of profit or loss (note 6).

The fair value of all trading debt investments refers to their current bid prices on Bloomberg.

14. OTHER RECEIVABLES

	2022	2021
	US$	US$
Interest receivables from debt investments	-	33,600.00

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

15. TAX RECEIVABLE

	2022	2021
	US$	US$
Prepaid taxes	240,985.28	2,928,338.74

16. CASH AND CASH EQUIVALENTS

	2022	2021
	US$	US$
Cash at bank	56,098,782.39	82,633,680.69

17. GUARANTEED NOTES PAYABLE

As at 31 December 2022, the Group issued the following guaranteed notes payable:

Issue date	**Principal Amount**	**Issue Price**	**Fixed interest**	**Maturity date**	**Fair value as at 31 December 2022**	**Carrying amount as at 31 December 2022**
	US$	US$			US$	US$
05 July 2017 (Note (a))	500,000,000.00	99.441	3.50%	05 July 2027	525,685,202.32	497,203,784.25
Less: Amount classified as current liabilities						-
Amount classified as non-current liabilities						497,203,784.25

17. GUARANTEED NOTES PAYABLE (continued)

As at 31 December 2021, the Group issued the following guaranteed notes payable:

Issue date	**Principal Amount**	**Issue Price**	**Fixed interest**	**Maturity date**	**Fair value as at 31 December 2021**	**Carrying amount as at 31 December 2021**
	US$	US$			US$	US$
05 July 2017 (Note (a))	500,000,000.00	99.848	2.90%	05 July 2022	512,578,506.12	499,648,813.79
05 July 2017 (Note (a))	500,000,000.00	99.441	3.50%	05 July 2027	548,240,632.97	496,876,412.27
						996,525,226.06
Less: Amount classified as current liabilities						(499,648,813.79)
Amount classified as non-current liabilities						496,876,412.27

Note (a): The notes payable was issued by CSCEC (Cayman) II (the "Issuer"), a subsidiary of the Company and unconditionally and irrevocably guaranteed by CSCEC (the "Guarantor"). The above notes will be constituted by a trust deed dated 5 July 2017 (the "Trust Deed") made between the Issuer, the Guarantor and CITICORP International Limited (the "Trustee"). The Issuer is an indirectly wholly owned subsidiary of the Guarantor.

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably and unconditionally appointed the Company as its agent for service of process in Hong Kong in respect of any suit, action or proceeding arising out of or in connection with the Trust Deed or the notes respectively. The proceeds, after deducting commission, fees and expenses in connection with the issue of the notes shall be transferred to a bank account of the Company, and any payment, repayment, fees and expenses in relation to the notes shall be payable by the Company. The above notes shall become immediately due and repayable at their principal amount together with accrued interest in an event of default as set forth in the Trust Deed.

18. OTHER PAYABLES

	2022	2021
	US$	US$
Interest payable	-	15,644,444.21
Amounts due to fellow subsidiaries	-	32,937,560.01
	-	48,582,004.22

Amounts due to fellow subsidiaries are due to related parties, which are unsecured.

19. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2022	2021
	US$	US$
Loans from fellow subsidiaries	435,167,895.13	67,443,574.82

The loans from fellow subsidiaries are unsecured with interest rates ranging from 0.01% to 0.1% per annum and repayable at maturity.

20. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinal shares, issued and fully paid:		
At 31 December 2022 and 2021	1,000,000	129,018.00

21. OTHER RESERVES

	Other reserve movement of an associate
	US$
At 1 January 2021	(2,811,731.83)
Share of reserve movement of an associate	(587,624.86)
At 31 December 2021	(3,399,356.69)
At 1 January 2022	(3,399,356.69)
Share of reserve movement of an associate	(489,091.74)
At 31 December 2022	(3,888,448.43)

22. RETAINED EARNINGS

	US$
At 1 January 2021	16,134,275.90
Profit for the year	13,883,219.41
At 31 December 2021	30,017,495.31
At 1 January 2022	30,017,495.31
Profit for the year	32,508,623.06
At 31 December 2022	62,526,118.37

23. RELATED PARTY TRANSACTIONS

As at 31 December 2022, the Company is 100.00% owned by CSCEC (As at December 31 2021: 100.00%). The ultimate holding company of the Company is China State Construction Engineering Corporation.

Other than the interest income and the management service fee income from related party transactions with fellow subsidiaries of CSCEC, which is disclosed in note 4 and note 5, the Group does not enter into other material related party transactions. In the opinion of the directors, the transactions were determined on terms mutually agreed between parties involved.

Details of balances with related parties are set out in note 12, 18 and 19 to the consolidated financial statements.

The key management personnel are directors of the Group, who are also directors or management of CSCEC and the Group's subsidiaries. It is not practicable to allocate the directors' entitlements among the services to individual companies.

At the end of the reporting period, there were financial guarantees provided by CSCEC as follows:

Guarantor	Guarantee receiver	Guaranteed amount	Starting date	Ending date
CSCEC	CSCEC (Cayman) II	500,000,000.00	05 July 2017	05 July 2027

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Guaranteed notes payable	Interest payable	Amount due to fellow subsidiaries
	US$	US$	US$
At 1 January 2021	1,495,000,403.00	16,281,944.17	-
Changes from financing cash flows	(500,000,000.00)	(38,750,000.00)	67,347,159.62
Discounted amounts	1,524,823.06	-	-
Interest expense	-	38,112,500.04	96,415.20
At 31 December 2021	996,525,226.06	15,644,444.21	67,443,574.82
At 1 January 2022	996,525,226.06	15,644,444.21	67,443,574.82
Changes from financing cash flows	(500,000,000.00)	(40,750,000.00)	367,724,320.31
Discounted amounts	873,002.79	-	-
Interest expense	-	24,911,111.19	-
At 31 December 2022	497,398,228.85	(194,444.60)	435,167,895.13

25. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2022 and 2021:

The Group have disposed all trading debt investments in 2022, there have no financial assets measured at fair value at 31 December 2022.

31 December 2021

Financial assets measured at fair value

	Fair value measurement categorised into			
	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets at fair value through profit or loss				
Trading debt investments	7,473,440.00	-	-	7,473,440.00

There have been no transfers between Level 1, Level 2 and Level 3 during the year (2021: Nil).

The fair values of listed equity investments and trading debt investments in Hong Kong are derived from quoted prices in active markets.

The Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's long-term interest bearing borrowings including guaranteed notes. The Group mitigates the risk by monitoring closely the movements in interest rates regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2022, the Group's long-term interest bearing borrowings were mainly US$ 932,371,679.38 (note 17 and 19) with fixed rates, and there are no financial liabilities issued at floating rates.

Foreign currency risk

The Group's businesses are principally conducted in US dollars, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than US dollars. The management manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise. The Group did not enter into any forward or derivative contract to hedge its exposure to foreign currency risk for the year.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk (continued)

Currency risk sensitivity analysis

The Group mainly exposes to the currency risk of Renminbi (“RMB”) and Hong Kong dollars (“HK$”). The following details the Group’s sensitivity to a 10% increase and decrease in the functional currencies of group entities against RMB and HK$ respectively. 10% is the sensitivity rate used as it represents management’s assessment of the reasonably possible change in foreign exchange rates.

For a 10% increase/(decrease) of functional currencies of group entities against RMB and HK$, the Group’s profit before tax for the year would increase/(decrease) by US$ 43,374,862.22.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

Credit risk

All the Group’s cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group 's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021. The amounts presented are gross carrying amounts for financial assets.

31 December 2022

	12-month Expected credit losses	Lifetime Expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$	US$	US$	US$	US$
Amounts due from fellow subsidiaries	690,374,006.41	-	-	-	690,374,006.41
Cash and bank balances					
- Not yet past due	56,098,782.39	-	-	-	56,098,782.39
	746,472,788.80	-	-	-	746,472,788.80

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

31 December 2021

	12-month Expected credit losses	Lifetime Expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$	US$	US$	US$	US$
Financial assets at fair value through profit or loss	7,473,440.00				7,473,440.00
Amounts due from fellow subsidiaries	810,447,572.79	-	-	-	810,447,572.79
Other receivables -Normal*	33,600.00				33,600.00
Cash and bank balances - Not yet past due	82,633,680.69	-	-	-	82,633,680.69
	900,588,293.48	-	-	-	900,588,293.48

*The credit quality of the financial assets included in other receivables 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".

The Group did not provide any guarantees which will expose the Group to credit risk.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities (including issued financial guarantee contracts) at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2022

	Less than 1 year US$	Between 1 and 4 years US$	Between 4 and 5 years US$	More than 5 years US$	Total US$
Amounts due to fellow subsidiaries	-	435,354,507.08	-	-	435,354,507.08
Guaranteed notes payable	-	61,250,000.00	508,944,444.44	-	570,194,444.44
	-	496,604,507.08	508,944,444.44	-	1,005,548,951.52

31 December 2021

	Less than 1 year US$	Between 1 and 4 years US$	Between 4 and 5 years US$	More than 5 years US$	Total US$
Other payables					
- Interest payable	15,644,444.21	-	-	-	15,644,444.21
- Amounts due to fellow subsidiaries	32,937,560.01	-	-	-	32,937,560.01
Amounts due to fellow subsidiaries	-	67,511,018.40	-	-	67,511,018.40
Guaranteed notes payable	524,911,111.11	52,500,000.00	52,500,000.00	508,944,444.44	1,103,855,555.55
	573,493,115.33	120,011,018.40	52,500,000.00	508,944,444.44	1,219,948,578.17

Capital management

The Group's objectives when managing capital 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 adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2021 and 2022.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio between 70% and 100%. Net debt is calculated as the total of interest-bearing bank borrowings, lease liabilities/obligations under finance leases, trade and bills payables and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the Group.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022	2021
	US$	US$
Total Guaranteed notes payable (Note 17)	497,203,784.25	996,525,226.06
Amounts due to fellow subsidiaries (Note 19)	435,167,895.13	67,443,574.82
Less: cash and cash equivalents (Note 16)	(56,098,782.39)	(82,633,680.69)
Net Debt	876,272,896.99	981,335,120.19
Total equity	58,766,687.94	26,747,156.62
Total Capital	935,039,584.93	1,008,082,276.81
Gearing ratio	93.72%	97.35%

27. EVENT AFTER THE REPORTING PERIOD

The Group had no significant event after the reporting period.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 US$	2021 US$
NON-CURRENT ASSETS		
Investment in an associate	244,424,593.24	235,781,329.50
Amounts due from fellow subsidiaries	370,372,500.00	390,000,000.00
Investments in subsidiaries	100.00	200.00
Total non-current assets	614,797,193.24	625,781,529.50
CURRENT ASSETS		
Financial assets at fair value through profit or loss	-	7,473,440.00
Other receivables	-	33,600.00
Tax receivable	240,985.28	2,928,338.74
Amounts due from fellow subsidiaries	320,001,506.41	420,447,572.79
Cash and cash equivalents	56,098,782.39	82,633,680.69
Total current assets	376,341,274.08	513,516,632.22
TOTAL ASSETS	991,138,467.32	1,139,298,161.72

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

	2022 US$	2021 US$
LIABILITIES		
CURRENT LIABILITIES		
Amounts due to fellow subsidiaries	100.00	548,231,018.01
Total current liabilities	100.00	548,231,018.01
NET CURRENT ASSETS/(LIABILITIES)	376,341,174.08	(34,714,385.79)
TOTAL ASSETS LESS CURRENT LIABILITIES	991,138,367.32	591,067,143.71
NON-CURRENT LIABILITIES		
Guaranteed notes payable	497,203,784.25	496,876,412.27
Amounts due to fellow subsidiaries	435,167,895.13	67,443,574.82
Total non-current liabilities	932,371,679.38	564,319,987.09
TOTAL LIABILITIES	932,371,779.38	1,112,551,005.10
NET ASSETS	58,766,687.94	26,747,156.62
EQUITY		
Share capital	129,018.00	129,018.00
Other Reserves	(3,888,448.43)	(3,399,356.69)
Retained earnings	62,526,118.37	30,017,495.31
TOTAL EQUITY	58,766,687.94	26,747,156.62
TOTAL LIABILITIES AND EQUITY	991,138,467.32	1,139,298,161.72

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

Note: A summary of the Company's other reserves and retained earnings is as follows:

	Other reserves US$	Retained profits US$
At 1 January 2021	(2,811,731.83)	16,134,275.90
Profit for the year	-	13,883,219.41
Share of other comprehensive income of an associate	(587,624.86)	-
Total comprehensive income for the year	(587,624.86)	13,883,219.41
At 31 December 2021	(3,399,356.69)	30,017,495.31

	Other reserves US$	Retained profits US$
At 1 January 2022	(3,399,356.69)	30,017,495.31
Profit for the year	-	32,508,623.06
Share of other comprehensive income of an associate	(489,091.74)	-
Total comprehensive income for the year	(489,091.74)	32,508,623.06
At 31 December 2022	(3,888,448.43)	62,526,118.37

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2023.