AVIC Joy Holdings (HK) Limited
幸福控股（香港）有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 260)

2022
Annual Report

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chang Chien *(Chairman of the Board)*
Mr. Lam Toi Man
Mr. Zhu Chengye

Independent Non-executive Directors

Mr. To Chun Kei
Mr. Lok Tze Bong
Mr. Cheung Ting Pong *(appointed on 3 November 2022)*

AUDIT COMMITTEE

Mr. To Chun Kei *(Chairman)*
Mr. Lok Tze Bong
Mr. Cheung Ting Pong *(appointed on 3 November 2022)*

REMUNERATION COMMITTEE

Mr. To Chun Kei *(Chairman)*
Mr. Chang Chien
Mr. Lok Tze Bong

NOMINATION COMMITTEE

Mr. To Chun Kei *(Chairman)*
Mr. Lam Toi Man
Mr. Lok Tze Bong

COMPANY SECRETARY

Mr. Leung Siu Kuen *(appointed on 8 November 2023)*
Mr. Pang Kai Cheong *(resigned on 8 November 2023)*

AUTHORIZED REPRESENTATIVES

Mr. Chang Chien
Mr. Leung Siu Kuen *(appointed on 8 November 2023)*
Mr. Pang Kai Cheong *(resigned on 8 November 2023)*

REGISTERED OFFICE

Unit 1905A, Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Center
16 Harcourt Road
Hong Kong

INDEPENDENT AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.avicjoyhk.com

STOCK CODE

260

As at 28 May 2024

Notes:

(1) In the case of any inconsistency between the Chinese translation and the English text of this annual report, the English text shall prevail.

(2) "*" means English translation for reference only in this annual report.

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of AVIC Joy Holdings (HK) Limited (the "**Company**"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Year**").

The consolidated revenue of the Group increased from approximately HK$3.2 million for the year ended 31 December 2021 to approximately HK$153.1 million for the Year. The loss attributable to owners of the Company was approximately HK$43.6 million for the Year (2021: approximately HK$39.9 million).

Although the economic performance was beginning to return to normal during the first half of the Year, the Company is still facing different challenges. Nevertheless, the Group continued to support the development of the finance lease business of its subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited* (廣東資雨泰融資租賃有限公司) ("**Zi Yu Tai**") to provide finance lease services for high-quality listed companies and private enterprises with good growth during the Year. On the premise of controlling the risks, the Group will focus on sunrise industries and continuously expand the finance lease market.

From August 2022, the Company decided to re-commence the gas and petroleum products sales business, with the main business area and customers temporarily concentrated in Hong Kong. The segment brought a positive impact on the revenue of the Group for the Year.

Looking ahead to 2023, the risks caused by the novel coronavirus ("**COVID-19**") have been diminishing and the world learning to co-exist with COVID-19 thus leading to the cancellation of many social restrictions in many countries. However, the inflationary pressures on the capital markets remain high and the uncertainties that may arise from Russia-Ukraine military conflicts, rising fuel prices, disruption to supply chain and labor cost, the Group remains vigilant and cautious when facing these uncertainties and this difficult operating and market environment.

We will continue to be prudent in managing our business operations and financial resources and maximise our business potential during this challenging time.

On behalf of the Board, I sincerely thank all our shareholders and business partners for their trust and support, as well as the management team and all colleagues for their contributions to the development of the Group in the past year.

Chang Chien
Chairman

Hong Kong
28 May 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Reference are made to (i) the announcements of the Company dated 7 September 2022, 9 September 2022, 19 September 2022, 17 November 2022 and 28 November 2022, respectively, in relation to, among others, the decision of the Listing Committee to suspend trading in the shares of the Company; (ii) the announcements of the Company dated 5 December 2022 and 4 April 2023, respectively, in relation to, among others, the Resumption Guidance; (iii) the announcement of the Company (the "**Voluntary Announcement**") dated 24 February 2023 in relation to the development regarding the LED Business; and (iv) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023, 28 February 2024 and 28 May 2024 (the "**Quarterly Update Announcements**") in relation to the quarterly update on suspension of trading (collectively, the "**Announcements**"). Unless otherwise specified, capitalised terms used in this "Management Discussion And Analysis" shall have the same meanings as those defined in the Announcements.

BUSINESS REVIEW

The Group is principally engaged in (i) management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**") in the PRC (the "**LED Business**"); (ii) provision of finance lease and loan services and property investment (the "**Finance Lease Business**"); (iii) provision of the public-private partnership class 1 land development services and sale of construction materials (the "**Land Development Business**"); and (iv) trading of gas and petroleum products business (the "**Gas and Petroleum Products Business**").

During the year 2022, the borders with Mainland China were still closed and most economic activities came to a very disappointingly low level. The Group has initiated litigations in China and Hong Kong to fight for justice and fairness so as to safeguard the interests of the Group and the shareholders, the details of which can be referred to the latest announcement of the Company dated 28 May 2024 and earlier related announcements.

FINANCIAL REVIEW

During the Year, the consolidated revenue of the Group amounted to approximately HK$153.1 million (2021: approximately HK$3.2 million), increased by approximately 46.8 times as compared with last year, which was mainly attributed to the introduction of Gas and Petroleum Products Business since the fourth quarter of the Year, which contributed revenue of approximately HK$150.0 million for the Year.

The net loss of the Group was approximately HK$47.2 million during the Year, representing a decrease of approximately HK$2.3 million as compared with the net loss of approximately HK$49.5 million last year. The decrease in net loss was mainly attributable to the net effect of (i) increase in other income, gains and losses of approximately HK$3.2 million as exchange gains were recorded and no written off of other receivables for the Year; and (ii) decrease in share of profits of joint ventures by approximately HK$11.4 million during the Year and (iii) decrease in finance costs of approximately HK$11.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

(1) LED Business

The Group mainly operates LED Business through its investment in a joint venture.

During last year, the Group also established a new subsidiary to carry on the LED Business. However, the business is still in initial stage and no revenue was recorded so far.

(2) Finance Lease and Loan Service and Property Investment Business

During the Year, the revenue recorded from finance lease business decreased to approximately HK$3.1 million (2021: approximately HK$3.2 million), representing a decrease of approximately 3%.

(3) PPP Class 1 Land Development Business

During the Year, no revenue was recorded in the Group's business in the Project.

During the Year, the loss of this segment decreased to approximately HK$6.7 million (2021: approximately HK$18.6 million), mainly due to decrease in interest on bank loans.

(4) Gas and Petroleum Products Business

During the Year, the total revenue recorded was HK$150 million (2021: NIL).

FINANCIAL RESOURCES

As at 31 December 2022, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK$1,316.6 million (2021: approximately HK$1,307.5 million). Cash and bank balances amounted to approximately HK$27.7 million (2021: approximately HK$28.8 million). Net debt amounted to approximately HK$1,288.9 million (2021: approximately HK$1,278.7 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK$691.4 million (2021: approximately HK$743.9 million), was 186.4% (2021: 171.9%).

During the Year, the Group was not materially exposed to foreign currency risk.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2021: Nil).

STAFF BENEFITS

As at 31 December 2022, the Group had a total of 24 employees (2021: 29). The staff costs for the Year amounted to approximately HK$7.8 million (2021: approximately HK$8.6 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the Year.

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group actively encouraged and subsidised staff to participate in job-related study, trainings and seminars as part of the welfare and incentive scheme. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan to their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

As at 31 December 2022, no assets of the Group were pledged as security for bank borrowings granted.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the Year.

MATERIAL EVENTS

Failure to comply with Rule 13.24

On 17 November 2022, the Company received a letter from the Listing Review Committee which stated that it decided to uphold the Listing Committee's decision as the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant a continued listing of its shares, and trading in the Company's shares be suspended under Rule 6.01(3) of the Listing Rules.

As a result, the trading of the Company's shares was suspended with effect from 9:00 a.m. on Tuesday, 29 November 2022 pending further notice.

Details of the letter was announced by the Company on 17 November 2022 that the Committee was of the view that the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operation as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its Shares.

Updates on resumption progress

The Group will continue to review its existing businesses from time to time and strive to improve the business operations and financial position of the Group. In addition, the Group will explore and consider different options and future opportunities in order to prepare a viable resumption proposal to resolve the issues leading to the trading suspension and address the Resumption Guidance, and to work on the resumption of the trading in the Shares as soon as possible.

The Company has submitted its resumption plan in order to fulfill the Resumption Guidance and take appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ADDITIONAL DISCLOSURE REGARDING THE DISCLAIMER OF OPINION

The Company received a disclaimer of opinion in the Independent Auditor's Report by our Auditor on the consolidated financial statements of the Company and the Group for the Year, the details can be referred to the Independent Auditor's Report on pages 51 to 56 of this Annual Report.

The Audit Committee agreed with the management of the Company that all the comments in the independent auditor's report were fair and the issues raised by the auditor therein should be addressed and resolved as fast as possible. It was concluded that the assets in questions should be disposed. Once the sale is finalized and confirmed, the Company would issue an announcement to inform our shareholders and the public.

OUTLOOK

The global economy has been severely impacted by the outbreak of COVID-19, leading to ongoing repercussions, while the uncertainty caused by COVID-19 has heightened concerns regarding the Group's future operational performance and development, making it challenging to provide accurate predictions.

Looking forward, the Group will closely monitor and solve the issues relating to the Rule 13.24 of the Listing Rules. Simultaneously, the Group will continue to explore new business opportunities for corporate development and dedicates to develop sustainable current business, in order to enhance its financial performance and create value for the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chang Chien ("**Mr. Chang**"), aged 47, has been the chairman of the Board since 4 February 2022, he has been an executive Director and member of the Remuneration Committee of the Company (the "**RC**") since 18 September 2020. Mr. Chang graduated from City University of Hong Kong with a bachelor of arts (honours) degree in public and social administrations. Mr. Chang currently serves as a director of Citichamp (Holdings) Limited* (冠城（集團）有限公司) and is responsible for managing the investment portfolio for the family office and overseeing the company's operations, business development and compliance related issues. Mr. Chang previously was a sales director for China Yinsheng International Securities Limited* (中國銀盛國際證券有限公司) ("**China Yinsheng**") where he supervised the sales team and assisted the company in business development strategy. He was also responsible for developing long-term business relationship with clients. Prior to joining China Yinsheng, Mr. Chang was a director of Shun Heng Securities Limited* (信亨證券有限公司), where his managerial role covered business operation, risk management and institutional order execution. Mr. Chang is also a director of Citychamp Dartong Co., Limited* ("**Citychamp Dartong**") (冠城大通股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange with stock code: 600067. Mr. Chang is the son-in-law of Mr. Hon Kwok Lung ("**Mr. Hon**"), Mr. Hon is the controlling shareholder of Sincere View International Limited ("**Sincere View**"), and Sincere View is a substantial shareholder of the Company.

Mr. Lam Toi Man ("**Mr. Lam**"), aged 66, has been appointed as an executive Director and member of the Nomination Committee of the Company (the "**NC**") since 18 September 2020. Mr. Lam has many years of experience in property development in Mainland China. Mr. Lam was the general manager of Zhejiang Huashun Real Estate Investment Co., Ltd.* (浙江華順房地產投資有限公司) and an executive director and the general manager of Hangzhou Yuanhua Mart Construction Co., Ltd.* (杭州元華商城建設有限公司). Mr. Lam was an executive director of Citychamp Watch & Jewellery Group Limited ("**Citychamp**"), a company listed on the Main Board of The Stock Exchange (stock code: 256) from August 2004 to 5 January 2022. Mr. Lam is the brother-in-law of Mr. Hon, Mr. Hon is the controlling shareholder of Sincere View, and Sincere View is a substantial shareholder of the Company.

Mr. Zhu Chengye ("**Mr. Zhu**"), aged 41, has been an executive Director since 4 February 2022. Mr. Zhu graduated from Macquarie University of Australia in 2007 with a bachelor degree of Applied Finance. Mr. Zhu graduated from China University of Political Science and Law with a master degree of Law in 2017. He served as The Chairman's Assistant of Zhongtou Investment Guarantee Co. Ltd during 2008 to 2015, completed a number of acquisition guarantee businesses. During 2015 to 2020, Mr. Zhu served as Deputy President of the Bank of Beijing Jianguo Branch, and President of Nanwei Lu Branch, provide financing service to technology business clients.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei ("**Mr. To**"), aged 57, has been appointed as an Independent Non-executive Director of the Company, the chairman of the Audit Committee (the "**AC**"), the member of the RC and NC on 18 September 2020. He has been appointed as the chairman of the NC on 4 February 2022. Mr. To graduated from the University of Western Sydney with a bachelor degree in Business Administration in 1999 and received a master degree in Professional Accounting from the Hong Kong Polytechnic University in 2009. Mr. To is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2004 to 2011, he was an Independent Non-executive Director, chairman of the audit committee and remuneration committee of China Development Bank International Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1062). Since October 2016, Mr. To has been appointed as an Independent Non-executive Director of Ernest Borel Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1856). Moreover, Mr. To is currently the Hong Kong and Macau business partner of Beijing Central Finova Financial Services Co., Ltd.* (北京中央金創金融服務股份有限公司).

Mr. Lok Tze Bong ("**Mr. Lok**"), aged 47, has been appointed as an Independent Non-executive Director of the Company, a member of each of the AC, NC and RC since 24 June 2022. Mr. Lok graduated from the City University of Hong Kong and obtained a Bachelor of Laws Degree and Postgraduate Certificate in Laws. Mr. Lok is qualified to practice law in Hong Kong, England and Wales.

Mr. Cheung Ting Pong ("Mr. Cheung"), aged 44, has been appointed as an Independent Non-executive Director and a member of the AC of the Company since 3 November 2022. Mr. Cheung has over 17 years of experience in financial operations. He obtained a bachelor's degree in business administration (accountancy) from the City University of Hong Kong and a master's degree in business administration from the University of Manchester in the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales, and a fellow member of Hong Kong Institute of Certified Public Accountants.

Mr. Cheung is currently also an independent non-executive director, the chairman of each of the audit committee and the nomination committee and a member of the remuneration committee of Longhui International Holdings Limited (stock code: 1007); and an executive director, vice-chairman and chief executive officer, a member of each of the remuneration committee and the nomination committee of Future Data Group Limited ("**Future Data**") (stock code: 8229).

He was also the joint company secretary from July 2021 to August 2021, and from May 2023 to April 2024, an authorised representative of Future Data (for the purpose of Rule 5.24 of the GEM Listing Rules) from July 2021 to August 2021; an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Hope Life International Holdings Limited (stock code: 1683) from February 2021 to October 2023; the finance and investor relations director and a joint company secretary of Dalipal Holdings Limited (stock code: 1921) from September 2021 to December 2021; an executive director and a non-executive director of Sanbase Corporation Limited (stock code: 8501) from July 2017 to May 2018 and from May 2018 to October 2019; the company secretary of Munsun Capital Group Limited (currently known as Bay Area Gold Group Limited) (stock code: 1194) from November 2016 to January 2017; and an executive director, chief financial officer and company secretary of Modern Dental Group Limited (stock code: 3600) from June 2015 to October 2016, March 2011 to October 2016 and September 2014 to October 2016, respectively. The issued shares of the above-mentioned companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Company Secretary

Mr. Pang Kai Cheong ("**Mr. Pang**"), aged 37, was appointed as the Company Secretary and Authorized Representative of the Company with effect from 1 August 2022. Mr. Pang is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Pang has extensive work experience in company secretarial, corporate governance and compliance matters.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 38 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2022 as well as discussion on the future business development, principal risks and uncertainties of the Group are provided in the Chairman's Statement on page 3, the Management Discussion and Analysis – Business Review on pages 4 to 7, and note 36 to the financial statements of this annual report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis – Financial Review on pages 4 to 7 of the annual report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations which have a significant impact on the Group and relationships with its key stakeholders are provided in the paragraphs below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Stock Exchange introduced Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix 27 to the Listing Rules which took effect in 2016. We have envisaged and adopted the ESG Reporting Guide in writing of the said report. Please refer to the Environmental, Social and Governance Report on pages 32 to 50 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it during the Year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are regarded as the most valuable assets of the Group. The Group believes that the knowledge and expertise of our employees are crucial to the long-term success of the Group. To assist our staff to develop their potential, enhance their job competence and continue the Group's development, the Group actively encouraged and subsidised staff to participate in external job-related courses and seminars.

The Group will strive to maintain a long-term good relationship with all stakeholders such as shareholders, suppliers, business partners and professional bodies in the future development of the Group's business.

RESULTS AND DIVIDEND

The Group's results for the Year and the Group's financial position as at 31 December 2022 are set out in the financial statements on pages 57 to 60 of this report.

The Board does not recommend the payment of a final dividend for the Year (2021: Nil).

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 126 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the Year are set out in notes 30 and 31 to the financial statements, respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group are set out in note 28 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARES ISSUED

As at 31 December 2022, the total number of issued shares of the Company (the "**Shares**") was 5,943,745,741. As compared with the position as at 31 December 2021, no new Shares were issued during the Year.

EQUITY-LINKED AGREEMENTS

The Company currently maintains the share option scheme as disclosed under the section headed "Share Option Scheme" in this report.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**").

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 98.8% of the total sales for the Year and sales to the largest customer included therein amounted to 68.7%.

The Group has no major suppliers due to the nature of its business.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

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

Executive Directors

Mr. Chang Chien *(Chairman of the Board, with effect from 4 February 2022)*
Mr. Lam Toi Man
Mr. Zhu Chengye *(appointed on 4 February 2022)*
Mr. Chan Hon Wai *(former Chairman of the Board and Chief Executive Officer, resigned on 30 January 2022)*
Mr. Tse Tin *(resigned on 31 January 2022)*

Independent Non-executive Directors ("INED(s)")

Mr. To Chun Kei
Mr. Lok Tze Bong *(appointed on 24 June 2022)*
Mr. Cheung Ting Pong *(appointed on 3 November 2022)*
Mr. Kam, Eddie Shing Cheuk *(appointed on 22 April 2022 and resigned on 3 August 2022)*
Mr. Weng Huaren *(appointed on 4 February 2022 and resigned on 24 June 2022)*
Mr. Liu Jingwei *(resigned on 31 January 2022)*
Mr. Zheng Yanqing *(resigned on 31 January 2022)*

A full list of the names of the directors of the Company's subsidiaries can be found on the Company's website at www.avicjoyhk.com under "Corporate Governance".

According to Article 86(B) of the articles of association of the Company ("**Articles of Association**"), any Director appointed to fill a casual vacancy or as an additional Director, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting ("**AGM**") of the Company (in the case of an addition to their number) and shall then be eligible for re-election.

Accordingly, Mr. Lok Tze Bong and Mr. Cheung Ting Pong will retire from office, and being eligible, will offer themselves for re-election at the forthcoming AGM.

According to Article 87 of the Articles of Association, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Accordingly, Mr. Lam Toi Man and Mr. To Chun Kei will retire from office by rotation, and being eligible, will offer themselves for re-election at the forthcoming AGM.

The terms of office of all Directors (including Independent Non-executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Articles of Association.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence and as at the date of this report, the Company still considers them to be independent in accordance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 8 to 9 of the annual report.

CHANGES IN INFORMATION OF DIRECTORS

Save for changes in the biographical details of the Directors, there was no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the RC with reference to Directors' duties, responsibilities, performance, the Company's remuneration policy and the results of the Group pursuant to the power conferred on it at the Company's general meetings.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the annual report, none of the Directors or any of their connected entity had, directly or indirectly, a material interest, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party subsisted at any time during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Subject to the provisions of and so far as may be consistent with the statutes, every Director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her in the execution and/or discharge of his/her duties and/or the exercise of his/her powers and/or otherwise in relation thereto. Subject to the applicable laws and the Articles of Association, the Company has taken out and maintained Directors' liability insurance, throughout the Year, against the liability and costs associated with legal actions against the Directors arising out of corporate activities, and the level of the coverage is reviewed annually. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, none of the Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules.

SHARE OPTION SCHEME

At the AGM of the Company held on 25 June 2015, the Company adopted a share option scheme (the "**Share Option Scheme**"), following the Company's share option scheme having expired on 14 April 2015 (the "**Expired Share Option Scheme**"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption. Further details of the Share Option Scheme are disclosed in note 31 to the financial statements.

As at 31 December 2022, there are no share options outstanding under the Share Option Scheme or the Expired Share Option Scheme.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme or the Expired Share Option Scheme during the Year.

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the Year or at the end of the Year.

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

As at 31 December 2022, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares[b]
Sincere View[a]	Long	Beneficial owner	1,596,428,891	26.86%
Mr. Hon[a]	Long	Interest of controlled corporation	1,596,428,891	26.86%
Lam Suk Ying ("**Ms. Lam**")[a]	Long	Interest of spouse	1,596,428,891	26.86%

Notes:

(a) Mr. Hon holds 80% interests and his wife, Ms. Lam holds 20% interests in Sincere View, which is a substantial shareholder of the Company holding 1,596,428,891 shares of the Company. Mr. Hon and Ms. Lam are deemed to have an interest in the same parcel of 1,596,428,891 shares of the Company.

(b) The total number of issued Shares as at 31 December 2022 was 5,943,745,741.

Save as disclosed above, as at 31 December 2022, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares were held by the public as at the date of this annual report.

CONNECTED TRANSACTION

On 25 October 2022, an indirect wholly-owned subsidiary of the Company entered into the Finance Lease agreements and Acquisition Agreements with Fujian Citychamp Haiyue Yacht Industry Development Limited* (福建冠城海悅遊艇產業發展有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Citychamp Dartong.

As (i) Ms. Sit Lai Hei, who is the daughter-in-law of Mr. Hon Kwok Lung, the controlling shareholder of the Company, is a director and a controlling shareholder of Citychamp Dartong, holding 36.4% of its equity interest; (ii) Mr. Hon Hau Wong is the chairman and director of Citychamp Dartong; and (iii) Mr. Chang is a son-in-law of Mr. Hon and the chairman of the Board and an executive Director of the Company as well as a director of Citychamp Dartong, entering into the Finance Lease Agreements and Acquisition Agreements constitutes a connected transaction under Chapter 14A of the Listing Rules.

However, one or more of the applicable percentage ratios in respect of the transactions contemplated under the Finance Lease Agreements and the Acquisition Agreements (i) as a notifiable transaction, on an aggregate basis, are more than 5% but all are less than 25%; and (ii) as a connected transaction, on an aggregate basis, are less than 25% and the total value of the financial assistance is less than HK$10,000,000, the entering into of the Finance Lease Agreements falls within the ambit of Rule 14A.76(2)(b) of the Listing Rules. Accordingly, (i) the transactions contemplated under the Finance Lease Agreements and the Acquisition Agreements constitute discloseable transactions of the Company; and (ii) the transactions contemplated under the Finance Lease Agreements constitute connected transactions of the Company; and are subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

For more details, please refer to the Company's announcement dated 25 October 2022.

The Directors consider that all the related party transactions have been disclosed in note 34 to the financial statements and confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

AUDITOR

ZHONGHUI ANDA CPA Limited will retire and, being eligible, will offer itself for re-appointment as the auditor of the Company. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Chang Chien
Chairman and Executive Director

Hong Kong
28 May 2024

INTRODUCTION

The Company is committed to pursuing strict and high standards of corporate governance since the Board believes that good corporate governance practices are essential to achieving the Group's objectives of enhancing corporate value as well as safeguarding the interests of the shareholders.

CORPORATE GOVERNANCE PRACTICE

In December 2021, the Hong Kong Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code (the "**CG Code**"), Appendix 14 of the Listing Rules and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022.

The Company has adopted the principles and code provisions set out in the CG Code during the Year, save and except as disclosed hereunder:

(i) code provision C.2.1 of the CG Code stipulates that the roles of the Chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. Chan Hon Wai ("**Mr. Chan**") with effect from 30 January 2022, he was an Executive Director, the chief executive officer and the Chairman of the Board. Mr. Chang has been appointed as an Executive Director with effect from 18 September 2020 and he has been appointed as the chairman of the Board with effect from 4 February 2022 to fill the vacancy after Mr. Chan resigned. The Chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

    The post of chief executive officer of the Company has remained vacant since 30 January 2022. Mr. Chang, who acts as the Chairman and an Executive Director, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective Executive Directors and senior management, who are in charge of different functions, complement the role of the Chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision C.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer; and

(ii) code provision C.3.3 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the articles of association of the Company. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the Year.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, *inter alia*, the implementation of strategies are delegated to the Executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board comprised six Directors, with three Executive Directors and three INEDs. The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors:	Mr. Chang Chien *(Chairman of the Board, with effect from 4 February 2022)*
	Mr. Lam Toi Man
	Mr. Zhu Chengye *(appointed on 4 February 2022)*
	Mr. Chan Hon Wai *(former Chairman of the Board and Chief Executive Officer, resigned on 30 January 2022)*
	Mr. Tse Tin *(resigned on 31 January 2022)*
INEDs:	Mr. To Chun Kei
	Mr. Lok Tze Bong *(appointed on 24 June 2022)*
	Mr. Cheung Ting Pong *(appointed on 3 November 2022)*
	Mr. Kam, Eddie Shing Cheuk *(appointed on 22 April 2022 and resigned on 3 August 2022)*
	Mr. Weng Huaren *(appointed on 4 February 2022 and resigned on 24 June 2022)*
	Mr. Liu Jingwei *(resigned on 31 January 2022)*
	Mr. Zheng Yanqing *(resigned on 31 January 2022)*

All Directors are not appointed for a specific term, but they are subject to retirement by rotation in accordance with the Articles.

Save as the disclosed information, the Directors have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising INEDs. The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 9 of this annual report.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group in respect of relevant actions against the Directors and officers.

Duties of the Board

The main responsibilities of the Board include determining overall strategic planning, policy formulation, business and investment plans, risk management and internal control systems and reviewing the effectiveness of such systems, monitoring financial and project budget, and developing, reviewing and monitoring corporate governance policies and matters.

BOARD OF DIRECTORS (continued)

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

During the Year, the corporate governance duties performed by the Board were summarised as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this corporate governance report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Group and the Directors.

Management Functions

Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management. The respective functions of the Board and the management of the Company have been formalised and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations. All members of the Board are provided with monthly updates giving a balanced and understandable assessment of the performance, position and prospect of the Group.

BOARD OF DIRECTORS (continued)

Board Independence

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. The Board has reviewed the implementation and effectiveness of the following mechanisms at the Board meeting:

(a) Fulfill the requirement of the Listing Rules that at least one-third of the Board are INEDs.

(b) Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, INEDs will be appointed to all Board committees as far as possible to ensure independent views are available.

(c) The Nomination Committee will assess the independence of a candidate who is nominated to be a new INED before appointment and the continued independence of the current long-serving INEDs on an annual basis.

Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

All INEDs are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.

(d) All Directors are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary (the "**Company Secretary**") and, where necessary, independent advice from external professional advisers at the Company's expense.

(e) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.

(f) A Director (including INED) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

(g) No equity-based remuneration with performance-related elements will be granted to INEDs.

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. During the year ended 31 December 2022, the Board has held 19 meetings. The Company Secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of each Board meeting or Board committee meeting. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the right to seek external professional advice if so required.

BOARD OF DIRECTORS (continued)

Board Meetings (continued)

During the Year, nineteen Board meetings were held and the attendance records of each Director at the Board meetings, Board committee meetings and general meeting are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Chang Chien[(1)]	19/19	N/A	5/5	N/A	1/1
Mr. Lam Toi Man[(2)]	19/19	N/A	N/A	5/5	1/1
Mr. Zhu Chengye[(3)]	15/15	N/A	N/A	N/A	1/1
Mr. Chan Hon Wai[(4)]	1/2	N/A	N/A	N/A	N/A
Mr. Tse Tin[(5)]	1/2	N/A	N/A	N/A	N/A
INEDs					
Mr. To Chun Kei[(6)]	18/19	4/4	4/5	4/5	1/1
Mr. Lok Tze Bong[(7)]	9/9	2/2	1/1	1/1	N/A
Mr. Cheung Ting Pong[(8)]	2/2	N/A	N/A	N/A	N/A
Mr. Kam, Eddie Shing Cheuk[(9)]	5/5	0/1	N/A	N/A	1/1
Mr. Weng Huaren[(10)]	5/5	2/2	2/2	2/2	1/1
Mr. Liu Jingwei[(11)]	1/2	N/A	N/A	N/A	N/A
Mr. Zheng Yanqing[(12)]	1/2	N/A	N/A	N/A	N/A

Notes:

(1) Mr. Chang appointed as the Chairman of the Board with effect from 4 February 2022. There were 19 Board meetings, 5 Remuneration Committee ("**RC**") meetings and 1 Annual General Meeting ("**AGM**") held during his tenure.

(2) There were 19 Board meetings, 5 Nomination Committee ("**NC**") meetings and 1 AGM held during Mr. Lam Toi Man's tenure.

(3) Mr. Zhu Chengye appointed as the Executive Director with effect from 4 February 2022. There were 15 Board meetings and 1 AGM held during his tenure.

(4) Mr. Chan Hon Wai resigned as the Chairman of the Board and Chief Executive Officer with effect from 30 January 2022. There were 2 Board meetings held during his tenure.

(5) Mr. Tse Tin resigned as the Executive Director with effect from 31 January 2022. There were 2 Board meetings held during his tenure.

(6) There were 19 Board meetings, 4 Audit Committee ("**AC**") meetings, 5 RC meetings, 5 NC meetings and 1 AGM held during Mr. To Chun Kei's tenure.

(7) Mr. Lok Tze Bong appointed as the INED, a member of AC, RC and NC with effect from 24 June 2022. There were 9 Board meetings, 2 AC meetings, 1 RC meeting and 1 NC meeting held during his tenure.

(8) Mr. Cheung Ting Pong appointed as the INED and a member of AC with effect from 3 November 2022. There were 2 Board meetings held during his tenure.

(9) Mr. Kam, Eddie Shing Cheuk appointed as the INED and a member of AC with effect from 22 April 2022 and resigned as the INED and a member of AC with effect from 3 August 2022. There were 5 Board meetings, 1 AC meeting and 1 AGM held during his tenure.

(10) Mr. Weng Huaren appointed as appointed as the INED and a member of AC, NC and RC on 4 February 2022 and resigned as the INED and a member of AC, NC and RC on 24 June 2022. There were 5 Board meetings, 2 AC meetings, 2 RC meetings, 2 NC meetings and 1 AGM held during his tenure.

(11) Mr. Liu Jinwei resigned as the INED on 31 January 2022. There were 2 Board meetings held during his tenure.

(12) Mr. Zheng Yanqing resigned as the INED and a member of AC, NC and RC on 31 January 2022. There were 2 Board meetings held during his tenure.

BOARD OF DIRECTORS (continued)

Board Meetings (continued)

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by the Board at a duly convened Board meeting.

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Where queries are raised by Directors, prompt and full responses will be given if possible. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

INEDs

As at the date of this annual report, the number of Directors was six, of which three Directors were INEDs, representing more than one-third of the Board. The three INEDs are persons of high calibre, with academic and professional qualifications, and extensive experience in several fields including accounting and legal etc. With their extensive experience, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The Board has received from each INED an annual confirmation of independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

All INEDs are not appointed for a specific term, but they are subject to retirement by rotation in accordance with the Articles. None of the INEDs has served more than nine years during the year ended 31 December 2022.

Appointment and Re-election of Directors

During the Year, the INEDs provided the Group with a wide range of expertise and experience as well as checks and balance in achieving agreed corporate goals and objectives and monitoring performance reporting by their participation in the Board and Board committee meetings with independent judgment on issues relating to the Group's strategy, policy, performance, accountability, resources, key appointments and management process.

The Company did not have formal letters of appointment for Directors. Directors shall be subject to retirement by rotation and eligible for re-election at least once every three years pursuant to the Articles of Association. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

In accordance with the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Every retiring Director shall be eligible for re-election. As such, no Director has a term of appointment longer than three years.

Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting whilst for those appointed as an addition to the Board shall hold office until the next following AGM and in both cases, those Directors shall then be eligible for re-election at the relevant general meeting.

Every newly appointed Director will receive an induction pack from the legal advisor of the Company on the first occasion of his/her appointment. This induction pack is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

BOARD OF DIRECTORS (continued)

Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, according to the records provided by the Directors, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the Year is summarised as follows:

	Participation in Continuous Professional Development Activities	
Name of Directors	**Attending trainings/ briefings/seminars/ conference**	**Reading regulatory updates**
Executive Directors		
Mr. Chang Chien(1)	√	√
Mr. Lam Toi Man	√	√
Mr. Zhu Chengye(2)	√	√
Mr. Chan Hon Wai(3)	√	√
Mr. Tse Tin(4)	√	√
INEDs		
Mr. To Chun Kei	√	√
Mr. Lok Tze Bong(5)	√	√
Mr. Cheung Ting Pong(6)	√	√
Mr. Kam, Eddie Shing Cheuk(7)	√	√
Mr. Weng Huaren(8)	√	√
Mr. Liu Jingwei(9)	√	√
Mr. Zheng Yanqing(10)	√	√

Notes:

(1) Mr. Chang appointed as the Chairman of the Board with effect from 4 February 2022.

(2) Mr. Zhu Chengye appointed as the Executive Director with effect from 4 February 2022.

(3) Mr. Chan Hon Wai resigned as the Chairman of the Board and Chief Executive Officer with effect from 30 January 2022.

(4) Mr. Tse Tin resigned as the Executive Director with effect from 31 January 2022.

(5) Mr. Lok Tze Bong appointed as the INED, a member of AC, RC and NC with effect from 24 June 2022.

(6) Mr. Cheung Ting Pong appointed as the INED and a member of AC with effect from 3 November 2022.

(7) Mr. Kam, Eddie Shing Cheuk appointed as the INED and a member of AC with effect from 22 April 2022 and resigned as the INED and a member of AC with effect from 3 August 2022.

(8) Mr. Weng Huaren appointed as appointed as the INED and a member of AC, NC and RC on 4 February 2022 and resigned as the INED and a member of AC, NC and RC on 24 June 2022.

(9) Mr. Liu Jinwei resigned as the INED on 31 January 2022.

(10) Mr. Zheng Yanqing resigned as the INED and a member of AC, NC and RC on 31 January 2022.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of the Chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. Chan with effect from 30 January 2022, he was an Executive Director, the chief executive officer and the chairman of the Board. Mr. Chang has been appointed as an Executive Director with effect from 18 September 2020 and he has been appointed as the Chairman of the Board with effect from 4 February 2022 to fill the vacancy after Mr. Chan resigned. The Chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

The post of chief executive officer of the Company has remained vacant since 30 January 2022. Mr. Chang, who acts as the Chairman and an Executive Director, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision C.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer.

BOARD COMMITTEES

The Company has established three Board committees (the "**Board Committees**"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has its specific written terms of reference, to assist the Board Committees in discharging their duties and responsibilities. Minutes of all meetings and resolutions of the Board Committees, which are kept by the Company Secretary, are circulated to all the Board Committees' members and the Board Committees are required to report back to the Board on their decisions and recommendations, where appropriate. The Board Committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably requested.

Audit Committee

In order to comply with the CG Code, the Board revised the terms of reference of the AC on 31 December 2018. As at the date of this annual report, the Audit Committee comprised three INEDs, namely, Mr. To Chun Kei (chairman of the AC), Mr. Lok Tze Bong and Mr. Cheung Ting Pong. As at the date of this annual report, the number of members of the AC is three, the Company has complied with Rule 3.21 of the Listing Rules. The AC is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year. During the Year, four meetings of the AC were held and two meetings were attended by the external auditors of the Company. The attendance of the members was set out in the sub-section headed "Board Meetings" of this annual report.

The primary duties of the AC include acting as the key representative body for overseeing the relationship with the external auditors; reviewing and monitoring the effectiveness of the audit process; reviewing the Group's financial information; and overseeing the Group's financial reporting system and risk management and internal control systems. The latest terms of reference of the AC can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

BOARD COMMITTEES (continued)

Audit Committee (continued)

During the Year, the AC has reviewed and discussed the financial reporting matters, including:

(i) reviewed and recommended for the Board's approval of the interim and annual results, the interim report and annual report and other financial statements;

(ii) reviewed significant accounting and audit issues;

(iii) considered and discussed the reports and presentations from the external auditors and the senior management, respectively, with particular focus on the appropriateness of accounting policies and practices, areas of judgment, compliance with the Hong Kong Financial Reporting Standards and other legal requirements in relation to financial reporting;

(iv) reviewed the external auditor's qualifications, independence and performance;

(v) recommended to the Board on the appointment and re-appointment of the external auditors and the relevant terms of engagement, including their remuneration;

(vi) reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function for the Year which covered financial, operational and compliance controls;

(vii) reviewed the adequacy and effectiveness of the Group's systems of risk management, internal control and related policies;

(viii) advised on material event or drawing the attention of the management on related risks;

(ix) reviewed and was satisfied with the adequacy of the resources, staff qualification and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions; and

(x) reviewed the anti-corruption policy and the whistleblowing policy.

Remuneration Committee

In order to Comply with the CG Code, the Board revised the terms of reference of the RC on 21 December 2022. As at the date of this annual report, the RC comprised three members, namely, Mr. To Chun Kei (chairman of the RC), Mr. Chang Chien and Mr. Lok Tze Bong.

The RC shall meet at least once a year. During the Year, five meetings of the RC was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in notes 11 and 12 to the financial statements. The RC adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors".

The primary duties of the RC include to make recommendations to the Board on the Company's policy and structure for all Directors' remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment, to make recommendations to the Board on the remuneration of non-executive Directors. The latest terms of reference of the RC can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the Year, the RC reviewed and recommended to the Board on the existing policies and structure of the remuneration of the Directors of the Group; reviewed and approved the remuneration packages of the Directors of the Group with reference to the Company's complexity and its size as well as individual performances; and reviewed and made recommendation to the Board on the remuneration of INEDs.

Nomination Committee

In order to comply with the CG Code, the Board revised the terms of reference of the NC on 31 December 2018. As at the date of this annual report, the NC comprised three members, namely, Mr. To Chun Kei (chairman of the NC), Mr. Lam Toi Man and Mr. Lok Tze Bong.

The NC shall meet at least once a year. During the Year, five meetings of the NC was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

The primary duties of the NC include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board at least annually, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of INEDs, to make recommendations to the Board on the appointment or re-appointment of Directors, to review the Board diversity policy and to monitor its implementation, to review the time commitment required of Directors and evaluate whether Directors have committed adequate time to discharge their liabilities, and to review and implement the nomination policy at least once a year. The latest terms of reference of the NC can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the NC has reviewed the structure, size, composition and diversity of the Board including the skills, knowledge and experience of the Directors, made recommendations to the Board on the re-election of retiring Directors, assessed the independence of INEDs and reviewed the Nomination Policy and Board Diversity policy.

In designing the Board's composition, the NC would consider the Board diversity from a number of factors, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on the Company's business model and specific needs from time to time. Directors' appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board.

Dividend Policy

The Board has adopted a Dividend Policy (the "**Dividend Policy**") on 31 December 2018 and revised on 1 September 2022 in recommending dividends.

The Dividend Policy allows the shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, it also allows the Company to declare special dividends from time to time in addition to interim and/or final dividends.

The proposed dividend payout shall be determined with reference to the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves of the Company and each of the members of the Group, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company, the shareholders' and investors' expectation and industry's norm and any other factors that the Board deems appropriate.

BOARD COMMITTEES (continued)

Nomination Policy

The Board has adopted a Nomination Policy (the "**Nomination Policy**") on 31 December 2018 in relation to the nomination, appointment, re-appointment of Directors and the nomination procedure of the Company, the nomination policy was revised on 1 September 2022.

The Nomination Policy provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and/or Board Committee(s) of the Company, any potential contributions the candidate can bring to the Board and such other perspectives that are appropriate to the Company's business.

DIVERSITY OF THE BOARD AND WORKFORCE

Diversity of the Board

The Board has adopted a Board Diversity policy (the "**Board Diversity policy**") on 30 December 2015 and revised the Board Diversity policy on 1 September 2022.

The Board Diversity policy is relating to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversified perspectives with reference to gender, age, cultural and educational background, professional qualifications and experience, skills, knowledge, industry and regional experience and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company value gender diversity, and the Board targets to appoint at least a director of a different gender no later than 31 December 2024 and the Board will consider amending the Board diversity policy to include appointment of at least a director of a different gender so that the potential successors to the board can achieve gender diversity.

The above measurements were also adopted when the NC reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the NC confirmed that the existing Board was appropriately structured.

In addition, the NC monitors the implementation of the Board diversity policy to ensure the effectiveness of the Board diversity policy. During the Year, the Nomination Committee reviewed the Nomination Policy and the Board Diversity Policy, and considered that the said policies were appropriate and effective.

Diversity of the Workforce

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2022 is 50:50. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards.

The responsibilities of the auditors with respect to the financial statements are set out in the "Independent Auditor's Report" annexing in the annual report.

Risk Management and Internal Control

The Board is directly responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board conducts reviews of the effectiveness of those systems at least annually through the Audit Committee that covers all material controls in financial, operational and compliance.

The Board has adopted a risk management policy in providing directions in identifying, evaluating and managing significant risks. Pursuant to such policy, the management of the Company can identify risks that might adversely affect the achievement of the Group's objectives, and assess and prioritize the identified risks, risk mitigation plans will then be established to respond to the those risks considered to be significant.

An independent professional advisor has been engaged to assist the Board and the Audit Committee to assess the risk management and internal control systems of the Group and perform the internal audit functions for the Group. From which, deficiencies in the design and implementation of internal controls will be identified and recommendations will be proposed for improvement. Such report will be submitted to the Audit Committee and the Board at least once a year.

The Board through the Audit Committee conducted an annual review and assessment on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to the Group's ability to respond to changes in its business and external environment in terms of significant risks; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and results of internal audit work; the extent and frequency of communication of monitoring results to the Board in relation to result of risk and internal control review; significant control failing or weakness having been identified and their related implications; and status of compliance with the Listing Rules. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the Year.

ACCOUNTABILITY AND AUDIT (continued)

Risk Management and Internal Control (continued)

The Board through the Audit Committee had reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as the qualifications and experience of the outsourced internal auditors.

The Company has formulated the inside information policy and that is reviewed at least once a year to ensure its update with the latest regulatory requirements. Pursuant to such policy, the Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. The Group ensures that such information is kept strictly confidential before it is fully disclosed to the public.

ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an Anti-Corruption Policy on 1 January 2023. It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board and the Audit Committee will review the Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

WHISTLEBLOWING POLICY

In compliance with the new code provision D.2.6 of the CG Code, the Board adopted a Whistle-blowing Policy on 1 September 2022. It aim to provide reporting channels and guidance on reporting possible improprieties in matters relating to the Company, and reassurance to the reporting person or entity of the protection that the Company will extend to them against dismissal, victimisation or any form of reprisal for any genuine and good faith reports made under the Policy. The policy is designed to encourage and assist Whistleblowers to disclose information relevant to suspected misconduct, malpractice or irregularity through a confidential reporting channel. The Company will handle the report with care and will treat the Whistleblower's concerns fairly and properly.

Whistle-blowers are able to contact the AC Chairman directly in writing by post or in person in a sealed envelope to the registered office of the Company. The identity of the whistle-blower and all the concerns or irregularities raised will be treated with confidence and every effort will be made to ensure that confidentiality is maintained throughout the process. The Chairman of the Audit Committee shall determine the course of action to pursue, with power to delegate by the Board of Director, with respect to the report.

The Company is also committed to ensuring the protection of the whistle-blower against unfair dismissal, victimisation or unwarranted disciplinary action.

The Board and the Audit Committee will review the Whistle-blowing Policy and mechanism periodically to ensure its effectiveness.

AUDITORS' REMUNERATION

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system and internal control procedures.

During the Year, the fees paid/payable to the Company's external auditor, ZHONGHUI ANDA CPA Limited, in respect of the audit and non-audit services were as follows:

	HK$'000
Audit services	1,250
Non-audit services *(including review of interim results)*	200
	1,450

COMPANY SECRETARY

Mr. Ng Yu Ho tendered his resignation as the Company Secretary with effect from 31 July 2022. Mr. Pang was appointed as the Company Secretary with effect from 1 August 2022. Mr. Pang undertook not less than 15 hours of relevant professional training during the Year as required under Rule 3.29 of the Listing Rules. Mr. Pang resigned on 8 November 2023. Mr. Leung Siu Kuen was appointed on 8 November 2023 as the Company Secretary.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

COMMUNICATION WITH THE SHAREHOLDERS

The Board recognises the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. Code provision F.2.2 of the CG Code stipulates that the chairman of the Board should invite the chairmen of the AC, the RC, the NC and any other committees (as appropriate) to attend the AGM. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

COMMUNICATION WITH THE SHAREHOLDERS (continued)

Separate resolutions are proposed at the general meeting for each substantial issue, including the re-election of retiring Directors.

The notice to the shareholders is to be sent at least 20 clear business days before an AGM and at least 10 clear business days before a meeting other than an AGM. An explanation of the detailed procedures of conducting a poll is provided to the shareholders at the commencement of the meeting. The chairman of the general meeting answers questions from the shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene General Meeting

Pursuant to section 566 of the Companies Ordinance, the shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings as at the date of deposit of the requisition can deposit a written request to convene an a general meeting (the "**GM**") at the registered office of the Company (the "**Registered Office**") for the attention of the Company Secretary (the "**Requisition**").

Such Requisition must state the general nature of the business to be dealt with at the GM and must be authenticated by the person or persons making it.

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene a GM to be held on a date not more than 28 days after the date of the notice convening the GM, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a GM in the same manner, as nearly as possible, as that in which the GM is required to be called by the Directors, provided it is held within three months of the date of the deposit of the Requisition.

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy and reviews it at least once a year. Shareholders should direct any questions about their shareholdings to the Company's share registrar, Tricor Tengis Limited.

Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Registered Office.

If a shareholder wishes to make an enquiry of the Board (the "**Enquiry**"), the Enquiry must be served at the Registered Office for the attention of the Board and set out in writing, stating the nature of the Enquiry, and the reason for making the Enquiry.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests to do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. All requests shall be sent to the Registered Office for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

The Articles of Association (in both English and Chinese) is available on the websites of the Stock Exchange and the Company. During the Year, there has been no change to the Articles of Association.

I. ABOUT THIS REPORT

Overview

The board of directors (the "**Board**") of AVIC Joy Holdings (HK) Limited (the "**Company**") is pleased to present this Environmental, Social and Governance (hereinafter called "**ESG**") Report (the "**Report**") of the Company and its subsidiaries (collectively as the "**Group**" or "**we**") for the year ended 31 December 2022 (the "**Reporting Period**"). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

Reporting Scope

The Report covers the Group's finance leasing and loan businesses[1]. These businesses are the core business and major revenue source of the Group. The Group commenced the oil trading business by the end of 2022. Except for this, there were no significant changes to the scope of reporting during the Reporting Period.

Reporting Basis

The Report discloses the required information under the "comply or explain" provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). The relevant provisions and details are listed out at the end of the Report.

Reporting Principles

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

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

Quantitative: The quantified environmental and social key performance indicators ("**KPIs**") are disclosed in the Report to give stakeholders of the Group a comprehensive picture of the Group's ESG performance. The information is accompanied by a narrative, explaining its purposes and impacts.

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

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

Note:

1 The KPI data of two companies in Fujian, Mainland China during the Reporting Period are based on estimation.

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board Statement

The Board takes overall responsibility for ESG matters and their integration into the Group's management approach and strategies. It guides the management and monitoring of ESG matters that have been identified as relevant to the Group, and reviews the progress made against ESG-related goals and targets.

Report of Chairman

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

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

Despite the global pandemic of COVID-19 in the past year, the people in the Group show team spirit and provide multi-pronged support to our employees at time of the severe epidemic to protect them from infection and stop the spread of COVID-19 in society. The prevention and control measures include provision of surgical masks and alcohol-based hand sanitizers for our employees, reminding our employees to follow good respiratory and hand hygiene and maintain proper social distance, etc.. Despite the severity of the pandemic, we still pay attention to the employee salaries and benefits, career development opportunities and provide a safe working environment; to keep the initial aim of embracing corporate social responsibility, actively participate in public welfare undertakings. However, there might be still a long way to fight against the pandemic, we hope that the Group, all of our people and the society will continue to put unremitting efforts in leading through the crisis and challenges and make continuous progress towards sustainable development.

To achieve this vision, the Board has set a number of environmental and social Key Performance Indicators (KPIs), take a top-down approach to disintegrate the KPIs into functional departments and urge us to make changes in different areas such as reducing greenhouse gas emissions, making good use of resources and improving the employee well-being. At the same time, the management team and all of our people actively support the Group's sustainable development strategies and objectives; and has made some achievements. The scope, progress and achievements relating to the environmental and social KPIs will be disclosed in the Report.

The Group hopes that the professional management team can commit to stable operation and prudent financial management policy, dare to rise to continuous challenges, implement sustainable business strategies and improve business performance, and create more meaningful long-term value for the company and our stakeholders.

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Governance Structure

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

The Board	Board members are responsible for: ➢ Developing long-term sustainable development policies and strategies ➢ Assessing and identifying risks and opportunities associated with ESG ➢ Ensuring appropriate and effective ESG risk management and internal monitoring systems ➢ Reviewing and approving policies, objectives and action plans/measures related to ESG
Management Team	The management team is responsible for: ➢ Developing and reviewing ESG-related policies, objectives and action plans/measures ➢ Monitoring and reporting to the Board on the progress and quality of implementation of the action plan/measures ➢ Identifying ESG risks and opportunities ➢ Reviewing the ESG report
Functional Department	The functional departments are responsible for: ➢ Identifying, assessing, defining and reporting to management on significant ESG issues ➢ Performing ESG risk management and internal monitoring ➢ Ensuring ESG policies, objectives and action plans/measures are integrated into business operations ➢ Reporting to management on progress and quality of action plan/measures

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

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. The Group maintains a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, community, etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its environmental, social and governance risks, and ensures that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Communication channels	Management response
Government/regulatory organizations	➢ Compliance in laws and regulations ➢ Fulfill tax obligation ➢ Timely and accurate announcements ➢ Joint anti-epidemic	➢ Periodic report/interim announcement ➢ Correspondence	➢ Uphold integrity and compliance in operations ➢ Pay tax on time, and in return contributing to the society ➢ Establish comprehensive and effective internal control system
Shareholders/investors	➢ Return on investment ➢ Business strategies and performance ➢ Information transparency ➢ Corporate governance system	➢ Information disclosed on the HKEX website ➢ Annual general meeting and other shareholders' meetings	➢ Ensure satisfactory financial performance, business growth and a strong competitive position within the industry ➢ Set up comprehensive business strategic plan for achieving business goals and objectives ➢ Management possesses relevant experience and professional knowledge in business sustainability ➢ Ensure transparent and effective communications by dispatching information on websites of HKEX and the Company ➢ Continue to improve the internal control system and focus on risk management
Employees	➢ Labor rights ➢ Career development ➢ Compensation and welfare ➢ Health and workplace safety ➢ Joint anti-epidemic	➢ Employee performance evaluation ➢ Internal meetings and announcements ➢ Contact via email, phone and communication applications	➢ Establish fair, reasonable and competitive remuneration scheme ➢ Provide equal opportunities in promotion, training and career development ➢ Pay attention to occupational health and workplace safety ➢ Set up contractual obligations to protect labor rights ➢ Provide epidemic prevention supplies (such as masks and alcohol sanitizers)

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement (continued)

Stakeholders	Expectations and concerns	Communication channels	Management response
Customers	➢ High quality services ➢ Corporate reputation ➢ Reasonable price	➢ Contact via email, communication applications and phone call	➢ Improve the quality of services continuously in order to maintain customer satisfaction ➢ Provide variety of value-added services ➢ Ensure proper contractual obligations are in place
Community	➢ Environmental protection ➢ Community contribution ➢ Economic development ➢ Corporate reputation ➢ Joint anti-epidemic	➢ Information publicity website of government department ➢ Community activities	➢ Pay attention to climate change ➢ Encourage employees to actively participate in charitable activities and voluntary services ➢ Maintain good and stable financial performance and business growth ➢ Respond to government's appeal of implementing various epidemic prevention and control measures

Materiality Assessment

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

Identification	➢ Through diverse channels and internal discussion ➢ Examines and adopts the environmental, social and governance issues of concern in the past stakeholders' engagement ➢ Draws attention to emerging environmental, social and governance issues
Prioritization	➢ Synthesises, analyses and evaluates the views of all parties to identify and prioritise potential and important issues ➢ Develops materiality matrix based on the importance of the issue to the Group and its key stakeholders
Validation	➢ Interacts with the management team to validate the materiality assessment and ensure that these issues are aligned with the sustainable development direction sought by the Group ➢ Reports the materiality assessment to the Board and makes disclosure in the ESG report

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Matrix

During the Reporting Period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	Low	Medium	High
High	◆ Anti-discrimination	◆ Staff training and promotion opportunity ➢ Operational compliance	➢ Customers' satisfaction ➢ Service quality ➢ Anti-epidemic ◆ Talent management
Medium	➢ Community contribution ◆ Preventing child and forced labor ◆ Protecting labor rights	✧ Greenhouse gas emissions ✧ Use of resources ✧ Water resources utilization ➢ Intellectual property rights	◆ Staff compensation and welfare ◆ Occupational health and workplace safety ✧ Exhaust air emissions
Low	✧ Sewage discharge ✧ Generation of hazardous wastes	✧ Energy conservation ✧ Generation of non-hazardous wastes	➢ Anti-corruption ➢ Protecting client's privacy

Importance to the Group

✧ Environmental ◆ Employee ➢ Operation

III. ENVIRONMENTAL PROTECTION

The Group strictly follows the environmental policy in energy saving and carbon reduction, and compliance with laws and regulations in response to the global environmental protection trends and to fulfill its social responsibilities. The Group promotes energy conservation, reduce emission of pollutants and mitigate environmental risks through various measures and actions (Please refer to the "Management of Emissions" and "Management of Resources Utilization" sections below for details), including compliance of the applicable laws and regulations, ensuring efficient use of energy, water and other resources during operations, adopting various measures to raise staff awareness in environmental protection, and management monitoring of the implementation of environmental policies. We are working in a way to enable all levels of our employees to realize their impact on the environment, and to strike a balance between simultaneous development of stable business growth and implementation of environmental protection measures, so as to reduce the adverse effects on the environment brought by the enterprise's business activities and the employees' personal life.

1. Management of Emissions

The Group engages in the provision of finance lease and loan services. It mainly operates these businesses in office setting and did not involve in any production activities. Therefore, no packaging materials is used nor any hazardous waste is produced. Our impact on the environment mainly comes from the use of energy, generation of office and domestic wastes, and discharge of domestic wastewater. We also understand that energy consumption and greenhouse gas emission are closely related and thus we undertake various energy saving measures to reduce energy consumption and to enhance energy efficiency. Waste management mainly involves domestic garbage and collection of waste paper for recycling. Please refer to the "Management of Resources Utilization" section below for details.

Compliance

During the Reporting Period, the Group did not involve in any confirmed violations that are related to emissions that have a significant impact on the Group.

2. Management of Resources Utilization

In order to comply with the applicable laws and regulations, the Group carefully manages the use of resources and is committed to ensuring that all resources are used in an efficient and prudent manner. We continually seek to identify and reduce environmental impact attributable to our operational activities, demand our employees to focus on energy conservation and to follow our environmental policies and measures so that resources can be utilized to the fullest extent and to avoid any wastage.

Conservation of Energy

Conservation of Gasoline

Gasoline is mainly used in vehicles for business purpose. Employees have to plan their routes in advance before departure to shorten the driving distance and to reduce the consumption of gasoline. We carry out regular repairs and maintenance on vehicles for better energy use efficiency, and to reduce fuel consumption and waste gas emissions due to part failure. We also encourage employees to use public transport to reduce the use of vehicles. At the beginning of the Reporting Period, the Group sets targets to reduce the gasoline consumption intensity and the related air and greenhouse gas emission intensity by 5% as compared with the previous year. The targets have been achieved this year. Please refer to the section headed "Summary of Environmental Data and Performance" below for the relevant data. During the Reporting Period, the Group consumed a total of 4,807.37 liters of gasoline, representing a decrease of approximately 2,343.57 liters or 32.77% as compared with the previous year.

III. ENVIRONMENTAL PROTECTION (continued)

2. Management of Resources Utilization (continued)

Conservation of Energy (continued)

Conservation of Electricity

The Group consumes electricity mainly in offices. We set up a series of measures to save electricity and to improve the energy use efficiency for electrical appliances, and to educate employees on the relationship between energy use and sustainability of the planet, and to raise their awareness of conservation so that they can build good habit in use of electricity. For example, we use energy-efficient equipment and strictly control the temperature and duration of use of air-conditioners. Electrical equipment, including lighting, air-conditioners, computers, personal electronic devices and common office equipment, etc. are turned on according to actual need during office hours, and staff are encouraged to switch off the equipment when it is not in use and also after work. Employees have to strictly follow the manual to operate electrical equipment properly in order to keep them in good condition and to use electricity effectively. We also pay attention to the maintenance of electrical equipment. Employees must report to the responsible department immediately for repair to avoid any electricity wastage in case of any abnormality found. Last year's electricity charges of office and dormitory are included in the rent and the landlord did not provide relevant electricity consumption data. Therefore, the Group did not disclose the electricity consumption data last year. During the Reporting Period, the company in Mainland China moved to new office and dormitory, the electricity charges are paid by the company in Mainland China. Therefore, the Group did not set any target of electricity consumption.

Conservation of Water

Water consumption of the Group are mainly water used in sanitary being supplied and managed by the property management company. During the Reporting Period, although the Group did not encounter any water supply problem, the Group still shoulders the responsibility of environmental protection and sustainable development. The Group educates its employees to build good water usage habits, reminds employees to control water flow from tap at low level and turns off water tap when not in use. The Group also constantly reminds employees of their water use habits may bring negative impact to the environment; so as to encourage employees to establish a correct water use concept. The water charges of offices are included in the rent and the landlord did not provide relevant water consumption data. Therefore, the Group did not disclose the water consumption data during the Reporting Period.

Conservation of Paper

The Group promotes green office policy and encourages employees to save paper and to avoid wastage. We also distribute information and documents in electronic format to minimize photocopying and printing. We also fully utilize paper by reusing one-sided used papers, collect double-sided waste papers and put them into collection boxes and arrange recycling by recycling companies. The Group has used papers certified by Forest Stewardship Council (the "**FSC-Certified Paper**") for printing financial reports since 2015. FSC-Certified Paper is made from forests managed in an environmentally appropriate, socially beneficial and economically viable manner.

III. ENVIRONMENTAL PROTECTION (continued)

3. The Environment and Natural Resources

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

4. Climate change

Climate change is expected to worsen the frequency and severity of extreme weather events and cause catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena, increasing risk of heavy rains, rising tides and flooding that can cause serious damage to assets such as buildings, resulting in economic losses. In the long term, climate change may lead the rise of sea level and long-term changes in climate patterns of chronic heat waves (persistent higher temperature, etc.). Climate change is a major concern of governments around the world. Governments may change the related policies, laws and regulations to deal with climate change. Therefore, the Group may also need to change internal policies and measures to comply with the relevant laws and regulations, which may increase operating costs. The unprecedented crisis from the global spread of the COVID-19 has created significant challenges worldwide while the risks of climate change are still imminent. Understanding of these trends and the relationship with its businesses can help the Group to prepare, analyse possible risks and opportunities, seize the opportunities of potential benefits and establish the response capacity of the Group in the long run. The Group believes that a robust response to climate change requires concerted efforts of all stakeholders. Therefore, it will continuously identify and address stakeholders' expectations to optimise its environmental measures in order to achieve sustainable development and create long-term values for stakeholders and society as a whole.

IV. EMPLOYMENT AND LABOR PRACTICES

Employees are our most valuable assets and key driver for the Group's sustainable and long-term business development. We are committed to create a discrimination-free, equal, harmonious and safe workplace; to build relationships with mutual-respect; to encourage our employees to be innovative, flexible and committed when dealing with our customers and to provide high quality services. We also offer promotion opportunities to attract, develop, retain and reward our talented staff and provide commensurate remuneration and benefits.

The Group has strictly complied with the relevant laws and regulations on employment and labour of Mainland China and Hong Kong, including the "Constitution of the People's Republic of China", the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on Protection of Minors", the "Provisions on the Special Protection on Minor Workers", the "Provisions on the Prohibition of Using Child Labour", the "Law of the People's Republic of China on the Protection of Women's Rights and Interests", the "Insurance Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Regulations on Work-Related Injury Insurances", the "Trade Union Law of the People's Republic of China", the "Employment Promotion Law of the People's Republic of China", the "Labour Dispute Mediation and Arbitration Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of Disabled Persons", the "Individual Income Tax Law of the People's Republic of China", the "Implementing Regulations of the Labour Contract Law of the People's Republic of China", the "Prevention and Treatment of Occupational Diseases Law of the People's Republic of China" of Mainland China, and the "Employment Ordinance", the "Employees' Compensation Ordinance", the "Mandatory Provident Fund Schemes Ordinance", the "Minimum Wage Ordinance", the "Sex Discrimination Ordinance", the "Disability Discrimination Ordinance", the "Family Status Discrimination Ordinance", the "Race Discrimination Ordinance", the "Occupational Safety and Health Ordinance" of Hong Kong and other local government requirements and standards. Relevant information will be described in detail in the sections headed "Employment", "Health and Safety" and "Labour Standards" below.

1. Employment

The Group has specified the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity, Anti-discrimination

The Group advocates equal opportunity, diversity and anti-discrimination, and selects talents from multiple sources in accordance with national laws and regulations and combining the industrial characteristics and actual situations. The appropriate candidates would be selected based on their experiences, knowledge and abilities, and other job requirements, and regardless of their race, gender, age, nationality, or religion. This employment policy applies throughout all phases of the employment, including but not limited to hiring, promotion, performance appraisal, training, personal development and termination. The Group handles dismissal and compensation in accordance with the local laws and regulations.

In order to enhance the quality of work and competency of employees, and stimulate their self-motivation, we conduct periodic performance appraisal and fairly assess the level of the discretionary bonus, salaries increment and/or promotion recommendations based on a number of criteria.

IV. EMPLOYMENT AND LABOR PRACTICES (continued)

1. Employment (continued)

Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity, Anti-discrimination (continued)

As at 31 December 2022, the number and distribution of the Group's employees are as follows:

	2022	2021
Gender		
Male	12	14
Female	12	15
Employment Type		
Full-time	24	29
Age		
18–30	3	3
31–45	14	17
46–60	7	9
Geographical Region		
Mainland China	20	24
Hong Kong	4	5
Macau	–	–

During the Reporting Period, the Group's average monthly employee turnover rate is as follows:

	2022	2021
Gender		
Male	3.97%	1.10%
Female	2.67%	1.00%
Employment Type		
Full-time	5.96%	1.05%
Age		
18–30	5.56%	3.77%
31–45	2.98%	–
46–60	3.09%	1.60%
Geographical Region		
Mainland China	2.79%	0.66%
Hong Kong	4.55%	1.41%
Macau	16.67%	16.67%

IV. EMPLOYMENT AND LABOR PRACTICES (continued)

1. Employment (continued)

Compensation, Welfare and Other Benefits

The Group reviews the salary levels of employees regularly and benchmarks against up-to-date remuneration data in the industry, so as to establish a fair, reasonable and competitive remuneration scheme. Staff salary levels are decided based on one's knowledge, skills, scope of work, performance, experience and education background. Our employee remuneration package includes fixed salary, discretionary year-end bonus and other benefits. The Group expects employees to receive proper returns for their contribution.

Besides, in accordance with the local labor laws and social security laws and regulations, the Group provides social security benefits for all employees. We contribute to various social security scheme (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for the employees in Mainland China, and contribute to the Mandatory Provident Fund Scheme for the employees in Hong Kong.

Working Hours and Rest Periods

The Group attaches importance to employees' health and work-life balance and protects the employees' entitlement to rest days and holidays. Employees' work hours are set in compliance with local labor laws. All employees are entitled to rest days and holidays, for example, annual leaves, sick leaves, marriage leaves, maternity leaves, funeral leaves and work injury leaves.

The Impact of COVID-19

The Group did not reduce the employees' compensation and welfare nor lay off any employees due to COVID-19. For the sake of employees' health and safety, the Group has implemented various anti-epidemic prevention measures to reduce the chance of infection. Please refer to the "Health and Safety" below for details.

2. Health and Safety

The Group recognizes the importance of our employees' health and safety at work, therefore we strictly implement office environment sanitation and fire safety management to prevent occupational hazards which might lead to staff injury. Smoking in the office areas are absolutely prohibited. Each employee should be familiar with the location and the use method of fire extinguisher. We also have clear evacuation procedures in case of fire outbreak in offices to ensure our employees are able to take sensible and immediate action.

With the outbreak of COVID-19, we have adopted various preventive measures to reduce our employees' chances of being infected or spreading the disease. These precautions include provision of surgical masks and alcohol-based hand sanitizers for our employees, reminding our employees to follow good respiratory and hand hygiene and maintain proper social distance, ensuring the workplace is clean and hygienic, measuring body temperature of employees every day, etc..

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

IV. EMPLOYMENT AND LABOR PRACTICES (continued)

3. Development and Training

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we encourage staff to continue study and lifelong learning. This not only enhances the quality and capability of employees, but also raises the cohesiveness among them, resulting in increased productivity. We provide on-the-job training and mentorship for new hires to help them adapting to the new work environment quickly, and enhance team cohesion. Training topics for new hires include corporate culture, business philosophy, development history, management practices, business scope, employee rights and obligations, human resources plan, etc.. During the Reporting Period, the Group provides external training for employees such as continuing education for accounting practitioners, vocational skills training for employees, joint leasing transaction mode and risk seminars, risk identification of wind power and photovoltaic projects, etc..

During the Reporting Period, the percentage of the Group's employees trained[1] is as follows:

	2022	**2021[3]**
Gender		
Male	11.76%	18.75%
Female	50.00%	41.18%
Employee Category		
Senior management	25.00%	–
Middle management	37.50%	75.00%
Ordinary staff	30.77%	26.67%

During the Reporting Period, the average training hours[2] per the Group's employee are as follows:

	2022	**2021[3]**
Gender		
Male	7.76	8.75
Female	50.63	27.29
Employee Category		
Senior management	46.50	–
Middle management	19.50	43.00
Ordinary staff	17.54	17.33

Notes:

1 The percentage of the Group's employees trained refers to the number of the Group's employees trained within the Reporting Period divided by the sum of Group's number of employees at the end of the Reporting Period and the number of departing employees within the Reporting Period.

2 The average training hours refers to the number of training hours provided by the Group to the employees within the Reporting Period divided by the sum of Group's number of employees at the end of the Reporting Period and the number of departing employees within the Reporting Period.

3 Last year's comparative figures are restated to conform with the current year's presentation.

IV. EMPLOYMENT AND LABOR PRACTICES (continued)

4. Labor Standards

The Group cherishes human rights and protects labor rights. Child and forced labor are strictly prohibited in accordance with the applicable laws and regulations. The Group conducts background checks and reference checks in its hiring process to prevent any child labor. Besides, the Group has also implemented various measures to prevent any forms of forced labor. For example, labor contract is signed by the employee on a fair and voluntary basis, ensure employees do not need to bear any onboarding costs, never deduct wages, benefits or properties of employees, detention of employee's identity card or other identification documents is strictly prohibited, forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work, and the employees are compensated as appropriate in accordance with the applicable labor laws and regulations. During the Reporting Period, the Group did not involve in any violation of the laws and regulations related to the child and forced labor.

Compliance

During the Reporting Period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

V. OPERATING PRACTICES

1. Supply Chain Management

The Group conveys its concerns on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develop with its suppliers on the basis of equality to achieve a win-win situation. In order to establish an efficient and green supply chain system, we select suppliers and service providers with good credit history, reputable, high product and service quality, proven track records of environmental compliance and sound commitment to social responsibility. There was no major supplier due to the business nature.

2. Service Responsibility

The Group understand that customers' satisfaction is vital to its sustainable development and long term business growth. Therefore, the Group adheres to the core philosophy of "strictness, standardization, prudence, integrity and innovation", is customer-centric, strives to exceed customers' expectations, and provides customers with high-quality services in a pragmatic manner. During the Reporting Period, the Group did not receive complaints relating to its services.

Confidentiality is one of the Group's core values. Customers' information is always handled diligently and confidentially. For any confidential information obtained through business relationships, employees are prohibited from disclosing any information to third parties without proper authorization unless there is a legal or professional right or duty to do so.

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

During the Reporting Period, the Group has not been involved in any confirmed violations or irregularities related to service responsibilities that have a material impact on the Group, nor has it received any complaints about breach of customer privacy, loss of customer data or intellectual property rights.

V. OPERATING PRACTICES (continued)

3. Anti-corruption

Maintaining an ethical working environment is one of the Group's core values. The Group adopts a zero-tolerance approach for all kinds of corruption, bribery, extortion situation. To comply with the "Criminal Law of the People's Republic of China", the "Prevention of Bribery Ordinance" enforced by the Hong Kong Independent Commission Against Corruption and other applicable laws and regulations, the Group established employee handbook to strictly regulate the behavior of employees. The Group has set out strict penalties to combat inappropriate collection and acceptance of bribes, commissions or other illegal interests (such as property, banquet activities, etc.). The Group provides on-the-job anti-corruption training to all officers, including directors and staff, and requires all personnel to abide by rules and regulations and does not tolerate any bribery act at all. For employees who violate the company's rules, regardless of whether they have caused losses to the company, the company will directly dismiss the employee as punishment. These measures prove the Group's determination to fight corruption and uphold integrity, hoping to combat corruption and contribute to building a clean society. During the Reporting Period, there is no litigation of corruption involving the Group or its employees.

VI. COMMUNITY INVESTMENT

The Group has paid tax in accordance with applicable law since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement by providing social security benefits for all employees. We run our business following good practices, and achieve a good development order; and to certain extent, we have contributed to social stability and building a harmonious community.

VII. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2022	2021[4]
Greenhouse Gas ("GHG") Emissions			
Scope 1[1]:			
Total	Tonnes	13.02	19.36
Intensity[3]	Tonnes	0.38	0.59
Scope 2[2]:			
Total	Tonnes	6.45	–
Intensity[3]	Tonnes	0.19	–
Air Emissions			
Nitrogen Oxides	Kilograms	2.09	4.42
Sulfur Oxides	Kilograms	0.07	0.11
Particulate Matters	Kilograms	0.15	0.33
Natural Resources Consumptions			
Electricity:			
Total	Megawatt hours	10.57	–
Intensity[3]	Megawatt hours	0.31	–
Gasoline:			
Total	Liters	4,807.37	7,150.94
Intensity[3]	Liters	141.39	216.70

Notes:

1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of gasoline.

2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.

3 Intensity is measured base on the number of employees.

4 Last year's comparative figures are restated to conform with the current year's presentation.

VIII. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

General Disclosure/ KPIs	Reporting Guideline	Page
	A. Environmental	
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	38
KPI A1.1	The types of emissions and respective emissions data.	46
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	46
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[1]
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[2]
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	38
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieved them.	N/A[1, 2]
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	38
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	46
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A[3]
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieved them.	N/A[3]
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A[1]
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	40
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	40

VIII. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED (continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect A4	**Climate Change**	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	40
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	40
	B. Social	
Aspect B1	**Employment and Labor Practices**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	41
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	42
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	42
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	43
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	43
KPI B2.2	Lost days due to work injury.	43
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	43
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	44
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	44
KPI B3.2	The average training hours completed per employee by gender and employee category.	44

VIII. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED (continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B4	**Labor Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	43
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	43
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	43
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	45
KPI B5.1	Number of suppliers by geographical region.	45
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	45
KPI B5.3	Description of practices used to identify environmental and social risks.	45
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	45
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	45
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	45
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	45
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	45
KPI B6.4	Description of quality assurance process and recall procedures.	N/A[1]
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	45

VIII. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED (continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	46
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	46
KPI B7.3	Description of anti-corruption training provided to directors and staff.	46
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	46
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	46
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	46

Notes:

1 The Group's main business is the provision of finance lease and loan services. Therefore, the Group did not generate any hazardous wastes and use any packaging materials, and did not have quality assurance process and recall procedures.

2 The Group's main business is the provision of finance lease and loan services. The non-hazardous wastes are mainly domestic garbage and waste paper. As the Group does not have many employees, the employees generate little domestic garbage and waste paper, so there is no statistics for the amount of non-hazardous wastes generated. There is also no waste reduction target.

3 The water charges of offices are included in the rent and the landlord did not provide relevant water consumption data. Therefore, the Group did not disclose the water consumption data during the Reporting Period.

TO THE SHAREHOLDERS OF AVIC JOY HOLDINGS (HK) LIMITED
(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 57 to 125, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Intangible assets and related deferred tax liabilities

The intangible assets are recognised in respect of land development contracts in relation to the PPP Class 1 land Central New Coastal City and the construction of Ronggang Avenue entered by an indirectly non-wholly owned subsidiary, i.e. AVIC International (Fujian) Industrial Co., Ltd ("**AVIC Fujian**") (collectively referred to as the "**Project**"). While the related deferred tax liabilities are recognised for the taxable temporary differences in respect of intangible assets, at the tax rate of 25%.

Due to changes in relevant domestic laws and regulations and changes in the government attitude towards the Project, the development of the Project was suspended since November 2017 and impairments were provided on the intangible assets and related deferred tax liabilities recognised were then credited to profit or loss during the years ended 31 December 2020 and 2019.

The Group filed a lawsuit with Intermediate People's Court of Putian Municipality (the "**Putian Court**") in May 2018, aiming to request the government to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group in relation to the Project. The Group then filed an appeal to the High People's Court of Fujian Province (the "**High People's Court**") in June 2020 to protect its interests and the High People's Court accepted the appeal in August 2020. On 30 May 2022, the Group had received an Administrative Judgement from the High People's Court that the appeal filed by the Group to the High People's Court has been dismissed. Up to the date of this report, the Group is still seeking legal advice in respect of the Administrative Judgement and appropriate actions will be taken if so advised.

Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the intangible assets on the consolidated statement of financial position as at 31 December 2022 and 2021 of approximately HK$Nil and HK$Nil, respectively, and to the related impairment of intangible assets on the consolidated statement profit or loss of approximately HK$Nil and HK$Nil respectively for the years ended 31 December 2022 and 2021. We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the deferred tax liabilities on the consolidated statement of financial position as at 31 December 2022 and 2021 of approximately HK$Nil and HK$Nil, respectively and to the deferred tax credit on the consolidated statement profit or loss of approximately HK$Nil and HK$Nil respectively for the years ended 31 December 2022 and 2021. There are no other satisfactory audit procedures that we could adopt to determine the recoverability and accuracy of the intangible assets and related deferred tax liabilities.

BASIS FOR DISCLAIMER OF OPINION (continued)

2. Contract costs

Contract costs represented capital expenditures incurred related to the Project, which were recognised in AVIC (Fujian) Construction Investment Co., Ltd., a subsidiary of AVIC Fujian. Land preparation works were done during the years 2014 to 2018 and the costs mainly included demolition compensation fees, survey fees and related construction costs. With reference to the clauses in the Investment and Construction Cooperation Agreement signed between the government and the Group in relation to the Project, in the case of the termination or dissolution caused by the breach of contract or the reasons non-attributable to the Group, the government shall pay the Group the amount of compensation for the actual investment, interest and construction costs that the Group has been paid in the Project.

As discussed above in the first modification, the Group might take further actions to resolve the dispute and claim the compensation from the government. Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the contract costs of the AVIC Fujian and its subsidiary on the consolidated statement of financial position as at 31 December 2022 and 2021 of approximately HK$298,534,000 and HK$324,206,000 respectively. There are no other satisfactory audit procedures that we could adopt to determine the recoverability of the contract costs.

In addition, as discussed below in the fifth modification, due to limited accounting books and records of the subsidiary of AVIC Fujian, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy, existence and completeness of the contract costs on the consolidated statement of financial position as at 31 December 2022.

3. Promissory note receivables

On 4 December 2015, Kingfun Investment Limited ("**Kingfun**") acquired 17.5% issued shares of Spotwin Investment Limited ("**Spotwin**") from the Group. Spotwin is the holding company of those project companies of the Project. Kingfun issued the promissory note to the Group to settle part of the considerations. The promissory note was originally due on 15 June 2018, and a deed of replacement as entered and the maturity date was then extended to 15 June 2019. No repayments received or new deed of replacement was entered on the due date, an impairment loss of approximately HK$26,700,000 was recognised during the year ended 31 December 2019.

Since the promissory note was secured by the 17.5% of the issued share capital of Spotwin, its recoverable amount mainly depends on continuation of the Project, which the result is uncertain depends on the progress of the mediation with the government as mentioned above in the first modification. Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of promissory note receivables of approximately HK$62,300,000 and HK$62,300,000 and related interest receivables of approximately HK$10,611,000 and HK$8,697,000 as at 31 December 2022 and 2021 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether any expected credit losses on promissory note receivables and related interest receivables for the years ended 31 December 2022 and 2021 should be recognised or reversed.

4. Trade receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivables of the AVIC Fujian of approximately HK$18,577,000 and HK$20,175,000 respectively as at 31 December 2022 and 2021. The customers have repaid part of outstanding balances during the previous years while the aforesaid remaining balances are past due as at 31 December 2022 and 2021. In March 2021, the customers signed the repayment schedules with the Group and agreed to repay outstanding balances by 30 June 2021. However, the customers failed to repay according to repayment schedules. Thus, we considered that there is uncertainty on assessing the creditworthiness of the customers and recoverability of outstanding trade receivables. There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on trade receivables for the years ended 31 December 2022 and 2021 should be recognised or reversed.

BASIS FOR DISCLAIMER OF OPINION (continued)

4. Trade receivables (continued)

In addition, as discussed below in the fifth modification, due to limited accounting books and records of the AVIC Fujian, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy, existence and completeness of the trade receivables on the consolidated statement of financial position as at 31 December 2022.

5. Limited accounting books and records of two subsidiaries

Since 2022, the Group had repeated request two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for the year ended 31 December 2022 but the Group still unable to obtain them. Therefore, on 20 September 2023, the Group filed a lawsuit with Fuzhou Gulou District People's Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People's Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Fuzhou Intermediate People's Court in Fujian Province ("**Intermediate People Court**") to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022. Up to date of this report, the accounting books and records in respect of the AVIC Fujian and its subsidiary has not yet been obtained by the Group.

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the AVIC Fujian and its subsidiary for the year ended 31 December 2022, in addition to second and fourth modifications, we were unable to carry out audit procedures to satisfy ourselves as to the accuracy, existence and completeness of the following income and expenses and other comprehensive income for the year ended 31 December 2022, the assets and liabilities as at 31 December 2022 and the balances and movements of exchange fluctuation reserve and non-controlling interests for the year ended 31 December 2022 of AVIC Fujian and its subsidiary, as detailed below, and other related disclosure notes in relation to the AVIC Fujian and its subsidiary, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (continued)

5. Limited accounting books and records of two subsidiaries (continued)

Income and expenses and other comprehensive income for the year ended 31 December 2022:

	HK$'000
Other income, gains and losses	5
Administrative expenses	(4,048)
Finance costs	(4,522)
Loss for the year	(8,565)
Exchange differences on translation of foreign operations	1,070
Total comprehensive expenses for the year	(7,495)
Loss for the year attributable to:	
– Owners of the Company	(4,240)
– Non-controlling interests	(4,325)
	(8,565)
Total comprehensive expenses attributable to:	
– Owners of the Company	(3,710)
– Non-controlling interests	(3,785)
	(7,495)

Assets and liabilities as at 31 December 2022:

	HK$'000
Property, plant and equipment	86
Prepayments, deposits and other receivables	268
Bank balances and cash	52
Trade payables	(7,452)
Other payables and accruals	(31,871)
Bank and other borrowings	(154,520)
Loans from non-controlling shareholders	(2,171)

Balances of exchange reserve and non-controlling interests as at 31 December 2022:

	HK$'000
Exchange fluctuation reserve	(3,369)
Non-controlling interests	(9,055)

BASIS FOR DISCLAIMER OF OPINION (continued)

6. Investments in joint ventures, amounts due from joint ventures and finance lease receivables from joint ventures

As stated in note 17 to the consolidated financial statements, there are various legal disputes between the Group, AVIC Tianxu and Jia Lian, the Group lost contact with Jia Lian and its subsidiaries (collectively referred to as the "**Jia Lian Group**"), the Group is unable to obtain the accounting books and records in respect of the Jia Lian Group for the year ended 31 December 2022 to prepare the consolidated financial statements for year ended 31 December 2022.

Considered that no final result from legal proceedings and due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Jia Lian Group for the year ended 31 December 2022, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the investments in joint ventures on the consolidated statement of financial position as at 31 December 2022 of approximately HK$94,718,000, and to the accuracy of the related share of profits of joint ventures on the consolidated statement of profit or loss of approximately HK$7,598,000 and the related share of joint ventures' exchange differences on translation of foreign operations on the consolidated statement of comprehensive income of approximately HK$7,424,000 for the year ended 31 December 2022. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the finance lease receivables from joint ventures as at 31 December 2022 of approximately HK$4,098,000, and to the accuracy of the related finance lease income, included in revenue on the consolidated statement of profit or loss of approximately HK$744,000 for the year ended 31 December 2022. In addition, we were also unable to ascertain the accuracy and recoverability of the amounts due from joint ventures of approximately HK$104,702,000 on the consolidated statement of financial position as at 31 December 2022, and to whether any expected credit losses should be recognised on the amounts due from joint ventures for the year ended 31 December 2022.

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the Group's financial performance and cash flows for each of the two years ended 31 December 2022 and 2021, and on the Group's financial position as at 31 December 2022 and 2021 and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK$47.2 million for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net liabilities of approximately HK$676.1 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

REPORT ON OTHER MATTERS UNDER SECTION 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the matters described in the Basis for Disclaimer of Opinion section of our report:

– we were unable to determine whether adequate accounting records had been kept; and

– we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 28 May 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**153,068**	3,189
Cost of sales		**(149,144)**	–
Gross profit		**3,924**	3,189
Other income, gains and losses	7	**4,003**	785
Administrative expenses		**(18,810)**	(16,772)
Share of profits of joint ventures		**7,598**	18,983
Finance costs	8	**(43,877)**	(55,629)
LOSS BEFORE TAX		**(47,162)**	(49,444)
Income tax expense	9	**(2)**	(10)
LOSS FOR THE YEAR	10	**(47,164)**	(49,454)
Loss for the year attributable to:			
Owners of the Company		**(43,588)**	(39,859)
Non-controlling interests		**(3,576)**	(9,595)
		(47,164)	(49,454)
LOSS PER SHARE	13		
Basic and diluted		**(HK0.73 cents)**	(HK0.67 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
LOSS FOR THE YEAR		**(47,164)**	(49,454)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(10,175)**	4,850
Share of joint ventures' exchange differences on translation of foreign operations		**(7,424)**	2,401
Other comprehensive (expenses)/income for the year, net		**(17,599)**	7,251
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(64,763)**	(42,203)
Total comprehensive expenses attributable to:			
Owners of the Company		**(62,714)**	(32,773)
Non-controlling interests		**(2,049)**	(9,430)
		(64,763)	(42,203)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**267**	436
Right-of-use assets	15	**3,149**	73
Investments in joint ventures	17	**94,718**	94,544
Prepayments and deposits	20	**137**	125
Finance lease receivables	18	**10,456**	3,795
		108,727	98,973
CURRENT ASSETS			
Contract costs	23	**298,534**	324,206
Trade receivables	19	**18,577**	20,175
Prepayments, deposits and other receivables	20	**11,372**	10,908
Finance lease receivables	18	**7,186**	24,494
Promissory note receivables	21	**62,300**	62,300
Amounts due from joint ventures	17	**108,800**	128,968
Bank balances and cash	24	**27,652**	28,845
		534,421	599,896
CURRENT LIABILITIES			
Trade payables	25	**7,452**	8,093
Other payables and accruals	26	**261,585**	216,635
Lease liabilities	27	**1,575**	78
Bank and other borrowings	28	**179,567**	212,778
Loans from related companies	22	**817,679**	820,911
Loans from joint ventures	17	**14,611**	15,858
Loans from non-controlling shareholders	22	**32,343**	32,343
Tax payable		**2,458**	2,502
		1,317,270	1,309,198
NET CURRENT LIABILITIES		**(782,849)**	(709,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(674,122)**	(610,329)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	27	**1,756**	–
Bank and other borrowings	28	**–**	786
Deferred tax liabilities	29	**232**	232
		1,988	1,018
NET LIABILITIES		**(676,110)**	(611,347)
CAPITAL AND RESERVES			
Share capital	30	**2,234,815**	2,234,815
Other reserves		**(2,832,285)**	(2,769,571)
Equity attributable to owners of the Company		**(597,470)**	(534,756)
Non-controlling interests		**(78,640)**	(76,591)
		(676,110)	(611,347)

The consolidated financial statements on pages 57 to 125 were approved and authorised for issue by the Board of Directors on 28 May 2024 and are signed on its behalf by:

Chang Chien
Director

Lam Toi Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital	**Investment revaluation reserve**	**Capital reserve**	**Special capital reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	2,234,815	(145,022)	58,086	823,357	(81,645)	(3,391,574)	(501,983)	(67,161)	(569,144)
Loss for the year	–	–	–	–	–	(39,859)	(39,859)	(9,595)	(49,454)
Exchange differences on translation of foreign operations	–	–	–	–	7,086	–	7,086	165	7,251
Total comprehensive income/ (expenses) for the year	–	–	–	–	7,086	(39,859)	(32,773)	(9,430)	(42,203)
At 31 December 2021	**2,234,815**	**(145,022)**	**58,086**	**823,357**	**(74,559)**	**(3,431,433)**	**(534,756)**	**(76,591)**	**(611,347)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(43,588)**	**(43,588)**	**(3,576)**	**(47,164)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(19,126)**	**–**	**(19,126)**	**1,527**	**(17,599)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(19,126)**	**(43,588)**	**(62,714)**	**(2,049)**	**(64,763)**
At 31 December 2022	**2,234,815**	**(145,022)**	**58,086**	**823,357**	**(93,685)**	**(3,475,021)**	**(597,470)**	**(78,640)**	**(676,110)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(47,162)**	(49,444)
Adjustments for:		
Finance costs	**43,877**	55,629
Interest income	**(2,122)**	(2,194)
Share of profits of joint ventures	**(7,598)**	(18,983)
Depreciation of property, plant and equipment	**117**	139
Depreciation of right-of-use assets	**1,549**	860
Written off of other receivables	**–**	1,388
Loss on disposal of property, plant and equipment	**3**	–
Operating cash flows before movements in working capital	**(11,336)**	(12,605)
Decrease in prepayments, deposits and other receivables	**918**	86
Decrease in finance lease receivables	**8,408**	26,410
Decrease in amounts due from joint ventures	**12,054**	2,673
(Decrease)/increase in other payables and accruals	**4,607**	(3,315)
Cash generated from operations	**14,651**	13,249
Income taxes paid	**(1)**	(1,728)
Net cash generated from operating activities	**14,650**	11,521

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(7)**	(4)
Interest received	**208**	280
Proceeds from disposal of property, plant and equipment	**26**	–
Net cash generated from investing activities	**227**	276
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(19,073)**	(25,668)
Interest paid on bank and other borrowings	**(416)**	(4,294)
Interest paid on lease liabilities	**(320)**	(27)
Repayment of lease liabilities	**(1,328)**	(897)
Advance of loans from related companies	**7,250**	6,620
Advance of loans from joint ventures	**8**	–
Repayment of loans from joint ventures	**–**	(276)
Net cash used in financing activities	**(13,879)**	(24,542)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**998**	(12,745)
Cash and cash equivalents at 1 January	**28,845**	39,665
Effect of foreign exchange rate changes	**(2,191)**	1,925
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**27,652**	28,845
Representing by:		
Bank balances and cash	**27,652**	28,845

1. GENERAL INFORMATION

AVIC Joy Holdings (HK) Limited (the "**Company**") is a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Unit 1905A, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

During the year, the Group was principally involved in the management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**"); provision of finance lease and loan services and property investment; provision of land development services in the People's Republic of China ("**PRC**") and trading of gas and petroleum products in Hong Kong. The Group also operates LED EMC business through its investments in a joint venture.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$47.2 million for the year ended 31 December 2022 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$676.1 million as at 31 December 2022. The Group's total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK$1,044.2 million, which are due for repayment in the next twelve months from the date of approval of these consolidated financial statements.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) A substantial shareholder of the Company, Sincere View International Limited ("**Sincere View**") undertakes that, in order to encourage the Group to put its capital into good use and support business development of the Group, Sincere View will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.

(ii) As set out in note 22 to the consolidated financial statements, according to the letter from Sincere View to the Board of the Company dated 20 May 2024, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the loans from related companies of approximately HK$804.8 million nor any interest to be incurred of approximately HK$205.3 million during the period from 1 January 2024 to 31 December 2025.

(iii) The Group is negotiating with the counterparties to renew the existing loans from them as set out in notes 22 and 28 to the consolidated financial statements.

(iv) The Group is actively identifying alternative sources of funding.

The directors of the Company consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As set out in note 40 to the consolidated financial statements, the Group is unable to obtain accounting books and records in respect of the AVIC Fujian and its subsidiary for the year ended 31 December 2022. As such, the financial information of AVIC Fujian and its subsidiary for the period from 1 January 2022 to 30 June 2022, which is latest financial information available for the Group, together with best estimates of other income, administrative expenses and finance costs for the period from 1 July 2022 to 31 December 2022, are consolidated in the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure the fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in the Group’s interests in existing subsidiaries

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the joint venture and the fair value of proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated at the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests incurred by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- Lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts at the acquiree's identifiable net assets or at fair value. Acquisition-related costs are expensed as incurred.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. 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. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its provision of land development services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Foreign currencies

These financial statements are presented in Hong Kong dollars ("**HK$**"), 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 rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the HK$. At the end of each reporting period, for the purpose of presenting of consolidated financial statements, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated into HK$ at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves (attributed to non-controlling interests as appropriate). The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, all the exchange differences accumulated in equity relating to that particular foreign operation is reclassified in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation are translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

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 their 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold improvements	4% to 20% or over the lease terms, whichever is shorter
Furniture and fixtures	15% to 25%
Motor vehicles	10% to 25%

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 with the effect of any changes in estimate accounted for on a prospective basis.

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

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with finite lives are subsequently amortised on a straight-line basis over their estimated useful lives 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 life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land development contract

Land development contract is stated at cost less any impairment losses and is amortised on the output-based basis over its estimated useful life.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of corporate assets or portion of corporate assets allocated to the group of cash-generating units, with the recoverable amount of this group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Impairment of non-financial assets

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss ("**FVTPL**"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group a manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measure at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income, gains and losses line item in profit or loss.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, promissory note receivables, amounts due from joint ventures and bank balances and other items (finance lease receivables)) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables without significant financing component. The ECL are assessed individually for debtors with significant balances or collectively using a provision matrix with past due analysis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past due analysis basis:

- Nature of financial instruments (i.e. the Group's trade receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, promissory note receivables, finance lease receivables and amounts due from joint ventures, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method or at FVTPL.

Financial liabilities including trade and other payables, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 which are not restricted as to use.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. 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.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

Key sources of 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.

Estimated impairment of intangible assets

The Group determines whether intangible assets not available for use is impaired at least on an annual basis, and whenever there is an indication that it may be impaired. If any impairment, the Group estimates the recoverable amounts of the intangible assets. The Group measures the recoverable amounts of the intangible assets with reference to their value-in- use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from intangible assets based on the development plan forecasted by the management, economic outlook, expected selling price, development costs and a suitable discount rate in order to calculate the present value. As at 31 December 2022, the carrying amount of intangible assets was HK$Nil (2021: approximately HK$Nil) (net of accumulated impairment loss of HK$964,000,000 (2021: HK$964,000,000)).

Estimated impairment of non-financial assets (other than goodwill)

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for other receivable, promissory note receivables, amounts due from joint ventures and finance lease receivables

The Group uses individual assessments to calculate ECL for the other receivables, promissory note receivables, amounts due from joint ventures and finance lease receivables. The provision rates are based on past due analysis. The individual assessments are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Impairment of contract costs

The Group determines whether the outcome of the contract costs can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic benefits flows to the Group. The carrying amount of contract costs as at 31 December 2022 was approximately HK$298,534,000 (2021: approximately HK$324,206,000).

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) The following table presents revenue and profit/(loss) for the Group's primary segment for the years ended 31 December 2022 and 2021.

	2022 HK$'000	2021 HK$'000
Trading of gas and petroleum products	**149,955**	–
Revenue from contracts with customers	**149,955**	–
Interest income on finance leases	**3,113**	3,189
Total revenue	**153,068**	3,189

6. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

(ii) Disaggregation of revenue from contracts with customers

Segments	**2022 HK$'000**	2021 HK$'000
Types of goods		
Trading of gas and petroleum products recognised at a point in time to retail customers in Hong Kong	**149,955**	–

(iii) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than financial instruments and deferred tax assets ("**Specified non-current assets**").

	Revenue from external customers (by customer location)		**Specified non-current assets (by location of asset)**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
The PRC	**3,113**	3,189	**96,249**	95,050
Hong Kong	**149,955**	–	**1,885**	3
	153,068	3,189	**98,134**	95,053

(iv) Information about major customers

	Segments	**2022 HK$'000**	2021 HK$'000
Customer A	Trading of gas and petroleum products	**105,160**	N/A
Customer B	Trading of gas and petroleum products	**44,795**	N/A

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

(a) Management and operation of LED EMC;

(b) Provision of finance lease and loan services and property investment;

(c) Provision of land development services and sale of construction materials; and

(d) Trading of gas and petroleum products.

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that, waiver of other payables upon deregistration of a subsidiary, certain exchange losses, and certain finance costs, depreciation, as well head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, right-of-use assets, other receivables and bank balances; and

- all liabilities are allocated to operating segments other than certain loans from related companies, other payables, tax payables, deferred tax liabilities, lease liabilities and interest-bearing bank and other borrowings.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments based on the locations of the customers, and assets information is based on the locations of the assets.

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2022

	Trading of gas and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment revenue:					
Leases	–	–	3,113	–	3,113
Trading of gas and petroleum products	149,955	–	–	–	149,955
	149,955	–	3,113	–	153,068
Segment results	750	7,449	(1,402)	(6,696)	101
Reconciliation:					
Finance costs – unallocated					(38,841)
Corporate and other unallocated expenses					(8,422)
Loss before tax					(47,162)
Income tax expense					(2)
Loss for the year					(47,164)
Other segment information:					
Interest income	–	–	208	1,914	2,122
Depreciation	–	–	(676)	(47)	(723)
Depreciation – unallocated					(943)
Share of profits of joint ventures	–	7,598	–	–	7,598
Finance costs	–	–	(514)	(4,522)	(5,036)
Capital expenditure*	7	–	–	–	7

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	Trading of gas and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment assets	**6**	**121,100**	**199,873**	**382,935**	**703,914**
Reconciliation:					
Elimination of intersegment receivables					**(91,097)**
Corporate and other unallocated assets					**30,331**
Total assets					**643,148**
Segment liabilities	**33,846**	**208,758**	**310,302**	**551,491**	**1,104,397**
Reconciliation:					
Elimination of intersegment payables					**(1,013,208)**
Corporate and other unallocated liabilities					**1,228,069**
Total liabilities					**1,319,258**

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2021

	Trading of gas and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment revenue:					
Leases	–	–	3,189	–	3,189
Segment results	–	18,912	(3,320)	(18,614)	(3,022)
Reconciliation:					
Finance costs – unallocated					(38,420)
Corporate and other unallocated expenses					(8,002)
Loss before tax					(49,444)
Income tax expense					(10)
Loss for the year					(49,454)
Other segment information:					
Interest income	–	–	279	1,915	2,194
Depreciation	–	–	(75)	(49)	(124)
Depreciation – unallocated					(875)
Share of profits of joint ventures	–	18,983	–	–	18,983
Written off of other receivables	–	–	(1,388)	–	(1,388)
Finance costs	–	–	(1,418)	(15,791)	(17,209)
Capital expenditure*	–	–	(4)	–	(4)

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

	Trading of gas and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment assets	–	120,926	238,842	408,295	768,063
Reconciliation:					
Elimination of intersegment receivables					(98,872)
Corporate and other unallocated assets					29,678
Total assets					698,869
Segment liabilities	–	208,610	375,078	549,406	1,133,094
Reconciliation:					
Elimination of intersegment payables					(1,042,788)
Corporate and other unallocated liabilities					1,219,910
Total liabilities					1,310,216

7. OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's other income, gains and losses is as follows:

	2022 HK$'000	2021 HK$'000
Other income		
Interest income	**208**	280
Promissory note interest income	**1,914**	1,914
Sub-total	**2,122**	2,194
Other gains and losses, net		
Exchange gains/(losses), net	**91**	(1,058)
Loss on disposal of property, plant and equipment	**(3)**	–
Written off of other receivables	**–**	(1,388)
Government grants (Note (i))	**1,676**	1,031
Others	**117**	6
Sub-total	**1,881**	(1,409)
Total	**4,003**	785

Note:

(i) Government grants are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to engage in research and development activities and refund of the value-added-tax ("**VAT**") under the "immediate refund of VAT levied" policy.

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interests on bank and other borrowings	**6,202**	18,511
Interests on loans from related companies	**37,355**	37,091
Interests on lease liabilities	**320**	27
	43,877	55,629

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in both years. Taxation on PRC profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	HK$'000	HK$'000
PRC Enterprise Income Tax ("**EIT**"):		
– Current tax	**2**	–
– Under-provision in prior year	**–**	10
	2	10

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. INCOME TAX EXPENSE (continued)

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

2022	**Hong Kong HK$'000**	**Mainland China HK$'000**	**Total HK$'000**
Loss before tax	**(44,807)**	**(2,355)**	**(47,162)**
Tax at the statutory tax rates	**(7,393)**	**(589)**	**(7,982)**
Tax effect of share of profits and losses attributable to joint ventures	**–**	**(1,900)**	**(1,900)**
Tax effect of income not subject to tax	**(366)**	**–**	**(366)**
Tax effect of expenses not deductible for tax	**7,759**	**–**	**7,759**
Tax effect of tax losses not recognised	**–**	**2,491**	**2,491**
Income tax expense for the year	**–**	**2**	**2**

2021	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax	(44,623)	(4,821)	(49,444)
Tax at the statutory tax rates	(7,363)	(1,205)	(8,568)
Tax effect of share of profits and losses attributable to joint ventures	–	(4,746)	(4,746)
Tax effect of income not subject to tax	(314)	–	(314)
Under-provision in prior year	–	10	10
Tax effect of expenses not deductible for tax	7,677	259	7,936
Tax effect of tax losses not recognised	–	5,692	5,692
Income tax expense for the year	–	10	10

10. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Auditor's remuneration		
– Annual audit	**1,250**	1,150
– Others	**200**	200
	1,450	1,350
Depreciation on property, plant and equipment	**117**	139
Depreciation of right-of-use assets	**1,549**	860
Written off of other receivables	**–**	1,388
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 11):		
– Wages, salaries, allowances and benefits in kind	**7,412**	8,085
– Retirement scheme contributions	**366**	536
	7,778	8,621

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

2022	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Chan Hon Wai	(a)	–	117	2	119
Chang Chien		–	40	2	42
Lam Toi Man		–	40	2	42
Tse Tin	(b)	–	3	–	3
Zhu Chengye	(c)	–	529	34	563
Independent Non-executive directors:					
To Chun Kei		70	–	–	70
Liu Jingwei	(b)	5	–	–	5
Zheng Yanqing	(b)	5	–	–	5
Weng Huaren	(d)	23	–	–	23
Kam Eddie Shing Cheuk	(e)	17	–	–	17
Lok Tze Bong	(f)	41	–	–	41
Cheung Ting Pong	(g)	19	–	–	19
		180	729	40	949

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2021	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Chan Hon Wai	(a)	–	1,500	18	1,518
Chang Chien		–	40	2	42
Lam Toi Man		–	40	2	42
Tse Tin	(b)	–	40	2	42
Independent Non-executive directors:					
To Chun Kei		60	–	–	60
Liu Jingwei	(b)	60	–	–	60
Zheng Yanqing	(b)	60	–	–	60
		180	1,620	24	1,824

Notes:

(a) Resigned with effect from 30 January 2022

(b) Resigned with effect from 31 January 2022

(c) Appointed with effect from 4 February 2022

(d) Appointed with effect from 4 February 2022 and resigned with effect from 23 June 2022

(e) Appointed with effect from 22 April 2022 and resigned with effect from 2 August 2022

(f) Appointed with effect from 24 June 2022

(g) Appointed with effect from 3 November 2022

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director during the year (2021: one), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year for the remaining four (2021: four) highest paid employees who are not directors of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, bonuses, allowances and benefits in kind	**2,421**	1,891
Pension scheme contributions	**81**	135
	2,502	2,026

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

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**4**	4

13. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK$43,588,000 (2021: approximately HK$39,859,000), and the weighted average number of ordinary shares of 5,943,745,741 (2021: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for each of the year ended 31 December 2022 and 2021 as there are no dilutive potential ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2021	151	1,726	1,404	3,281
Exchange adjustment	–	8	40	48
Additions	–	4	–	4
At 31 December 2021	**151**	**1,738**	**1,444**	**3,333**
Exchange adjustment	**–**	**(18)**	**(111)**	**(129)**
Additions	**–**	**7**	**–**	**7**
Disposals	**–**	**(172)**	**(121)**	**(293)**
At 31 December 2022	**151**	**1,555**	**1,212**	**2,918**
DEPRECIATION AND IMPAIRMENT				
At 1 January 2021	(151)	(1,665)	(908)	(2,724)
Depreciation provided for the year (Note 10)	–	(25)	(114)	(139)
Exchange adjustment	–	(7)	(27)	(34)
At 31 December 2021	**(151)**	**(1,697)**	**(1,049)**	**(2,897)**
Depreciation provided for the year (Note 10)	**–**	**(7)**	**(110)**	**(117)**
Disposals	**–**	**155**	**109**	**264**
Exchange adjustment	**–**	**15**	**84**	**99**
At 31 December 2022	**(151)**	**(1,534)**	**(966)**	**(2,651)**
CARRYING VALUES				
At 31 December 2022	**–**	**21**	**246**	**267**
At 31 December 2021	–	41	395	436

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2021	920
Depreciation charge (Note 10)	(860)
Exchange alignment	13
At 31 December 2021 and 1 January 2022	**73**
Addition	**4,789**
Depreciation charge (Note 10)	**(1,549)**
Exchange alignment	**(164)**
At 31 December 2022	**3,149**

	2022 **HK$'000**	2021 HK$'000
Expenses related to short-term leases	**121**	645
Total cash outflow for leases	**1,769**	1,569

For both years, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants and the leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 27.

16. INTANGIBLE ASSETS

	Land development contracts HK$'000
COST	
At 1 January 2021, 31 December 2021 and 31 December 2022	964,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2021, 31 December 2021 and 31 December 2022	964,000
CARRYING VALUES	
At 31 December 2022	–
At 31 December 2021	–

As at 31 December 2022, there is an amount of HK$Nil (2021: HK$Nil) intangible assets in respect of land development contracts in relation to the land development of Central New Coastal City* (中部濱海新城) (the "**Project Land**") and construction work of Ronggang Avenue* (融港大道) (collectively referred to as the "**Project**"). AVIC International (Fujian) Industrial Co., Ltd.* (中航國際(福建)實業有限公司) ("**AVIC Fujian**"), a subsidiary of the Group, together with two parties formed a joint committee to manage the Project.

In February 2013, AVIC Fujian and Fuqing Municipal People's Government* (福清市人民政府) (the "**Fuqing Government**") entered into the Master Investment and Construction Co-operation Agreement ("**MICCA**"). Pursuant to the MICCA, the Fuqing Government is responsible for land planning, securing land, relocating residents and ensuring that all requisite legal and other necessary approvals. AVIC Fujian is primarily responsible for funding and managing the development work associated with the Project Land to meet the land sale requirement; and (ii) the construction of Ronggang Avenue* (融港大道).

In November 2017, the Fuqing Government issued a notice to AVIC Fujian together with the two parties of the joint committee of the Project, pursuant to which, the Fuqing Government (i) terminated the MICCA; (ii) revoked the land development right in the Project Land; and (iii) allowed AVIC Fujian or the joint committee to proceed the negotiation with the Fuqing Government on the compensation due to the termination of the MICCA, on the grounds that the MICCA violates certain rules and regulations in the PRC, namely 《中華人民共和國招投標法》,《中華人民共和國預算法》,《國務院辦公廳關於規範國有土地使用權出讓收支管理的通知》,《財政部、國土資源部、中國人民銀行〈關於印發國有土地使用權出讓收支管理辦法〉的通知》and 《中華人民共和國擔保法》 and therefore, the Fuqing Government is unable to execute the MICCA. The Group took several measures including the continuous negotiation with the Fuqing Government and the filing of appeal in May 2018 to the Intermediate People's Court of Putian Municipality* (莆田市中級人民法院) (the "**Putian Court**"), aiming to request the Fuqing Government to continue to execute the MICCA in accordance with the terms of the agreement.

The Putian Court had processed the case but decision has not been reached as at 31 December 2019. The directors of the Company, having sought legal advice, considered that the Fuqing Government does not have sufficient legal grounds to terminate the MICCA and are in the opinion that the Group will succeed in the appeal. Taking into account of the possible outcome of the appeal, the estimated shorten period of the Project and the decrease in the expected profit margin in the Project, the Group recognised accumulated impairment loss of HK$739,000,000 as at 31 December 2019.

* *English translation for reference only.*

16. INTANGIBLE ASSETS (continued)

On 10 June 2020, the Putian Court has issued a judgement to dismiss the petition by AVIC Fujian and ordered AVIC Fujian to bear specified amounts of litigation costs. In order to protect the interests of the Group and after having sought legal advice, the directors of the Company has decided to appeal and filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the "**High People's Court**") on 24 June 2020 to request the High People's Court to set aside the judgment and rule the case to be returned to the Putian Court for re-trial. However, the ultimate outcome of the appeal cannot be assessed at this stage. Accordingly, additional impairment amounted to HK$225,000,000 was provided for the year ended 31 December 2020. On 30 May 2022, the Group had received an Administrative Judgement from the High People's Court that the appeal filed by the Group to the High People's Court has been dismissed. As at 31 December 2022, full impairment on the intangible assets of the Project amounted to HK$964,000,000 (31 December 2021: HK$964,000,000) was recognised. The Group is still seeking legal advice in respect of the Administrative Judgement and appropriate actions will be taken if so advised.

17. INVESTMENTS IN JOINT VENTURES

	2022 **HK$'000**	2021 HK$'000
Cost of investment in joint ventures	**22,500**	22,500
Share of post-acquisition profits and other comprehensive income	**72,218**	72,044
	94,718	94,544

Except for the amount of HK$4,098,000 (2021: HK$15,092,000) are finance lease receivables from joint ventures, the remaining balances of amounts due from joint ventures of HK$104,702,000 (2021: HK$113,876,000) and loans from joint ventures of HK$14,611,000 (2021: HK$15,858,000) included in current assets and current liabilities, respectively, are non-trade nature, unsecured, interest-free and have no fixed terms of repayment.

Details of the finance lease receivables from joint ventures are disclosed as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
Finance lease receivables comprise:				
Within one year	**5,185**	17,881	**4,098**	15,092
	5,185	17,881	**4,098**	15,092
Less: unearned finance income	**(1,087)**	(2,789)		
Present value of minimum lease payments	**4,098**	15,092		
Analysed for reporting purposes as:				
Current assets	**4,098**	15,092		

* *English translation for reference only.*

17. INVESTMENTS IN JOINT VENTURES (continued)

The finance lease receivables are denominated in Renminbi ("**RMB**"), which is the functional currency of the relevant group entity.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

Effective interest rates of the above finance leases range from 10% to 12% per annum for both years.

Particulars of the Group's joint ventures at the end of the reporting period, which are held indirectly through wholly-owned and non-wholly-owned subsidiaries of the Company, are as follows:

Name	Country of incorporation/ registration and principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
		2022	2021	**2022**	2021	
Jia Lian International Limited ("**Jia Lian**")	British Virgin Islands	**45%**	45%	**45%**	45%	Investment holding

The Group holds 45% of the issued share capital of Jia Lian. However, under a Shareholders' agreement, the group and the another shareholder jointly controls the composition of the board of directors of Jia Lian. Therefore, Jia Lian is classified as joint ventures of the Group.

17. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Jia Lian adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022 **HK$'000**	2021 HK$'000
Bank balances and cash	**70,383**	92,795
Other current assets	**191,201**	410,667
Current assets	**261,584**	503,462
Property, plant and equipment	**35,942**	39,190
Finance lease receivables	**884,527**	302,263
Other non-current assets	**54,435**	477,612
Non-current assets	**974,904**	819,065
Financial liabilities, excluding trade and other payables	**(28,552)**	(28,746)
Other current liabilities	**(295,465)**	(311,630)
Current liabilities	**(324,017)**	(340,376)
Non-current liabilities	**(720,814)**	(790,880)
Net assets	**191,657**	191,271
Reconciliation to the Group's interest in the joint ventures:		
Proportion of the Group's ownership	**45%**	45%
Proportion of net assets of the Group's ownership	**86,246**	86,072
Goodwill	**8,472**	8,472
Carrying amount of the investment at 31 December	**94,718**	94,544
Revenue	**50,097**	114,973
Profit for the year	**16,884**	42,184
Total comprehensive income for the year	**385**	47,520

17. INVESTMENTS IN JOINT VENTURES (continued)

On 9 September 2022, Guangdong Zi Yu Tai Finance Leasing Company ("**Zi Yu Tai**"), an indirect wholly-owned subsidiary of the Company, has filed two property preservation applications in respect of a claim relating to a default payment of approximately RMB19,820,000 in total against Guangdong AVIC Tianxu Hengyuan Energy Saving Technology Company Limited ("**AVIC Tianxu**"), a subsidiary of Jia Lian International Limited ("**Jia Lian**"), a joint venture of the Group, in the People's Court of Yuexiu District, Guangzhou City, Guangdong Province (the "**Yuexiu Court**"). The Yuexiu Court had handed down judgments in relation to the litigations on 24 March 2023 (the "**March Judgment**") and 15 May 2023 (the "**May Judgment**") respectively, ruling that AVIC Tianxu shall compensate Zi Yu Tai for the arrears of RMB15,620,000 and RMB4,200,000. On 31 March 2023, AVIC Tianxu filed an appeal to the Intermediate People's Court of Guangzhou City, Guangzhou Province (the "**Intermediate People's Court**"), pursuant to which AVIC Tianxu requested the Intermediate People's Court to revoke the March Judgment and reject the counterclaim of Zi Yu Tai. In respect of the arrears of RMB15,620,000, the Intermediate People's Court dismissed the appeal on 29 June 2023 and the original judgment was upheld. On 11 July 2023, the Yuexiu Court issued the notification of acceptance of application of case* (受理申請執行案件通知書) to Zi Yu Tai to commence the enforcement process. In respect of the arrears of RMB4,200,000, the Intermediate People's Court ruled that part of the original judgment be upheld, in particular, AVIC Tianxu shall repay Zi Yu Tai for the arrears of RMB4,200,000 and the liquidated damages for the period from 28 April 2020 to the date of actual repayment of default, which shall be calculated on the basis of 30% above the prevailing loan prime rate (貸款市場報價利率) announced by the National Interbank Funding Centre (全國銀行間同業拆借中心) and the total sum of which shall not exceed RMB4,200,000.

On 26 October 2022, Tongda Environmental Technology Limited ("**Tongda**"), a direct wholly-owned subsidiary of the Company, issued a writ of summons in the High Court of the Hong Kong Special Administrative Region ("**High Court**") claiming against Jia Lian, for breach of a loan agreement dated 30 September 2015 in relation to the failure to repay the loan together with the interest stated therein. On 14 February 2023, the Company received a writ of summons dated 10 February 2023 in High Court issued by Jia Lian as plaintiff for alleged breach of a loan agreement dated 13 October 2016 in relation to the failure to repay the loan together with the interest stated therein. Up to the date of this report, both legal proceedings are still in progress.

Since there are various legal disputes between the Group, AVIC Tianxu and Jia Lian, the Group is unable to obtain the accounting books and records in respect of the Jia Lian and its subsidiaries (collectively referred to as the "**Jia Lian Group**") for the year ended 31 December 2022 to prepare the consolidated financial statements for year ended 31 December 2022.

18. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on equipment in the PRC. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

The majority of lease contracts are with guaranteed residual values. As at 31 December 2022 and 2021, unguaranteed residual values of assets leased under finance leases are immaterial.

For the year ended 31 December 2022, the finance lease receivables decreased due to repayments of finance lease receivables.

18. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**8,539**	27,049	**7,186**	24,494
In the second year	**8,356**	2,851	**7,443**	2,184
In the third year	**3,112**	1,939	**3,013**	1,611
	20,007	31,839	**17,642**	28,289
Less: unearned finance income	**(2,365)**	(3,550)		
Present value of minimum lease payments	**17,642**	28,289		
Analysed for reporting purposes as:				
Current assets	**7,186**	24,494		
Non-current assets	**10,456**	3,795		
	17,642	28,289		

The Group's finance lease receivables are denominated in RMB, which is the functional currency of the relevant group entity.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

As at 31 December 2022, the Group's finance lease receivables with an aggregate carrying amount of HK$Nil (2021: HK$28,289,000) were pledged as security for the Group's certain bank loans, as further detailed in note 28 to the consolidated financial statements.

Effective interest rates of the above finance leases range from 7.3% to 9% (2021: 6% to 9.3%) per annum.

19. TRADE RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables – contracts with customers	**53,715**	58,335
Less: Allowance for ECLs	**(35,138)**	(38,160)
	18,577	20,175

The trade receivables are related to sales of construction materials. The credit period granted to customers is generally 90 days.

19. TRADE RECEIVABLES (continued)

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aging analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 **HK$'000**	2021 HK$'000
Over 1 year	**53,715**	58,335

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$18,577,000 (2021: HK$20,175,000) which are past due as at the reporting date. Out of the past due balances, HK$18,577,000 (2021: HK$20,175,000) has been past due 90 days or more and is not considered as in default since the management considered the past due balances can be repaid based on repayment history.

Reconciliation of allowance for ECLs of trade receivables:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**38,160**	37,130
Exchange differences	**(3,022)**	1,030
At 31 December	**35,138**	38,160

The Group applies the simplified approach under HKFRS 9 to provide for ECLs using the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information.

	Over 1 year **past due** HK$'000
At 31 December 2022	
Weighted average expected credit rate	**65%**
Trade receivable amount	**53,715**
Allowance for ECLs	**(35,138)**
At 31 December 2021	
Weighted average expected credit rate	65%
Trade receivable amount	58,335
Allowance for ECLs	(38,160)

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayments	**549**	590
Promissory note interest receivables	**10,611**	8,697
Deposits and other receivables	**349**	1,746
	11,509	11,033
Non-current portion	**(137)**	(125)
Current portion	**11,372**	10,908

21. PROMISSORY NOTE RECEIVABLES

The promissory note in principal amount of HK$89,000,000 was issued during the year ended 31 December 2017 with an original maturity date of 15 June 2018. During the year ended 31 December 2018, the settlement date of the promissory note has extended and the maturity date is 15 June 2019. During the years ended 31 December 2021 and 2022, the Group is under negotiation with the promissory note holders to extend maturity date and an impairment loss of HK$26,700,000 was recognised.

Interest rate	2022 HK$'000	2021 HK$'000
2.15% per annum	**62,300**	62,300

22. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Breakdown of balances with related companies is as follows:

	Notes	2022 HK$'000	2021 HK$'000
Loans from related companies			
Sincere View	(i)	**804,814**	814,972
Citychamp Watch & Jewellery Group Limited	(ii)	**2,165**	939
Citichamp (Holdings) Limited	(ii)	**10,700**	5,000
Current portion		**817,679**	820,911

Notes:

(i) Sincere View is one of the substantial shareholder of the Company.

The loans from Sincere View are unsecured, of which approximately HK$657,347,000 is repayable in 2023 and bears interest at 5.6175% per annum, HK$1,000,000 is repayable in 2023 and bears interest at 5% per annum, while the remaining balances are non-interest bearing and no fixed repayment period.

According to the letter from Sincere View to the Board of the Company dated 20 May 2024, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the part of the aforesaid loans of principal amount of approximately HK$804,814,000 (31 December 2021: approximately HK$814,972,000) nor any interest to be incurred during the period from 1 January 2024 to 31 December 2025.

22. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS (continued)

Notes: (continued)

(ii) Citychamp Watch & Jewellery Group Limited ("**Citychamp**") and Citichamp (Holdings) Limited ("**Citichamp**") are related companies whose controlling shareholder is also controlling shareholder of the Company's substantial shareholder.

The loans from Citychamp are unsecured, non-interest bearing and no fixed repayment period.

The loans from Citichamp are unsecured, repayable in 2023 and bears interest at 5% per annum.

Breakdown of balances with non-controlling shareholders is as follows:

	2022 **HK$'000**	2021 HK$'000
Loans from non-controlling shareholders		
Kingfun Investment Limited	**16,887**	16,887
Yada Investment Limited	**15,456**	15,456
Current portion	**32,343**	32,343

The loans from non-controlling shareholders are unsecured, non-interest bearing and no fixed repayment period.

23. CONTRACT COSTS

	2022 **HK$'000**	2021 HK$'000
Pre-contract/setup costs to fulfill contracts in relation to land development services incurred to date	**298,534**	324,206

Contract costs capitalised are construction costs in relation to land development services incurred up to date.

24. BANK BALANCES AND CASH

	2022 **HK$'000**	2021 HK$'000
Bank balances and cash	**27,652**	28,845

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounting to HK$21,731,000 (2021: HK$27,094,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
Over 1 year	**7,452**	8,093

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

26. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Other payables and accruals	**17,522**	13,599
Loan interest payables to related companies	**205,762**	168,407
Loan interest payables on other borrowings	**10,824**	9,522
Loan interest payables on bank borrowings	**27,477**	25,107
	261,585	216,635

Note: Other payables and accruals are non-interest-bearing and mainly comprised of security deposits received from finance lease's lessee and accruals for operating expenses.

27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Within one year	**1,793**	79	**1,575**	78
In the second year	**1,726**	–	**1,649**	–
In the third to fifth year, inclusive	**107**	–	**107**	–
	3,626	79	**3,331**	78
Less: future finance charges	**(295)**	(1)		
Present value of lease liabilities	**3,331**	78		
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,575)**	(78)		
Amount due for settlement after 12 months	**1,756**	–		

At 31 December 2022, the effective borrowing rate was ranged from 7.82% to 10.26% (2021: 4.5%). Interest rates are fixed at the contract rates and thus expose the Group to fair value interest rate risk.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022				2021			
	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK$'000	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK$'000
Current								
Bank borrowings – unsecured (c)	**N/A**	**5.7–6.65**	**On demand**	**154,520**	N/A	5.7–6.65	On demand	167,805
Bank borrowings – secured (a)	**N/A**	**N/A**	**N/A**	**–**	4.99–5.7	N/A	2022	19,926
Other borrowing – unsecured (b)	**N/A**	**5.2**	**On demand**	**25,047**	N/A	5.2	On demand	25,047
				179,567				212,778
Non-current								
Bank borrowings – secured (a)	**N/A**	**N/A**	**N/A**	**–**	5.7	N/A	2023	786
				179,567				213,564

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank borrowings repayable:		
On demand and within one year	**154,520**	187,731
In the second year	**–**	786
	154,520	188,517
Other borrowings repayable:		
Within one year – with repayable on demand clause	**25,047**	25,047
	25,047	25,047
	179,567	213,564
Less: Amounts shown under current liabilities	**(179,567)**	(212,778)
Amounts shown under non-current liabilities	**–**	786

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) Certain of the bank borrowings are secured by the Group's finance lease receivables with an aggregate carrying amount of HK$Nil (2021: HK$28,289,000) (note 18).

(b) On 17 November 2016, the Company issued convertible bonds with principal amounts of HK$140,000,000. Any convertible bond not converted will be redeemed at par in two years, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. On 17 November 2018, the convertible bonds remained unexercised upon maturity. The convertible bonds held by 2 bondholders with total principal amount of HK$56,000,000 have been repaid on 17 November 2019. While the remaining convertible bonds with principal amount of HK$84,000,000 is considered as past due and repayable on demand, and these were transferred to other borrowings in 2018. In April 2020, the Company received repayment demand letters from the legal advisers of the bondholders of these convertible bonds requesting the Company to repay the outstanding amounts. During the year ended 31 December 2020, the Company repaid partial principal amounts of approximately HK$58,953,000 to bondholders. The Company continues making its best endeavors to negotiate the repayment schedule with these bondholders.

(c) In respect of bank borrowings with carrying amounts of approximately HK$154,520,000 (2021: HK$167,805,000) as at 31 December 2022, the Group defaulted in the repayments of bank borrowings according to repayment schedules as per loans agreements. The Group commenced the renegotiations of the terms of bank borrowings with the relevant bankers. As at 31 December 2022 and up to the date of approval for issuance of the consolidated financial statements, those negotiations are still in progress and had not been concluded. Since the lenders have initiated legal proceedings at PRC courts to demand immediate payment as at the end of the reporting period, the bank balances of approximately HK$18,000 had been frozen by relevant bankers for repayments of bank borrowings and those bank borrowings have been classified as current liabilities as at 31 December 2022.

(d) All bank borrowings are denominated in RMB and other borrowings are denominated in RMB and HK$.

29. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

	Temporary difference in respect of intangible assets HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2021, 31 December 2021 and 31 December 2022	–	232	232

At 31 December 2022, the Group had estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2021: HK$146,235,000) and in the PRC of approximately HK$609,902,000 (2021: HK$599,944,000), which are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, due to unpredictability on future profits streams.

Pursuant to the EIT 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 China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

29. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities (continued)

For the year ended 31 December 2022 and 2021, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would not pay out all their earnings as dividends. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$3,763,000 (2021: HK$3,668,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

30. SHARE CAPITAL

	2022 **HK$'000**	2021 HK$'000
Issued and fully paid: 5,943,745,741 ordinary shares	**2,234,815**	2,234,815

All the shares issued during the year rank *pari passu* in all respects with the existing shares. A summary of movements in the Company's share capital is as follows:

	Number of share in issue	**Share capital** HK$'000	**Total** HK$'000
At 1 January 2021, 31 December 2021 and 31 December 2022	5,943,745,741	2,234,815	2,234,815

Details of the Company's share option scheme and the share options issued under the Company's expired share option scheme are included in note 31 to the consolidated financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 15 April 2005 and expired on 14 April 2015 upon the expiry of the 10-year period. No further options was granted but in all other aspects, the provisions of the Scheme shall remain in full force and effect, for options which were granted during the life of the Scheme, and may continue to be exercisable in accordance with their respective terms of issue.

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the eligible participants including directors, business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees or sub-licensees, distributors, landlords or tenants or sub-tenants of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Company. The Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 to approve the adoption of the new share option scheme (the "**New Share Option Scheme**") for 10 years period from its adoption date in substantially similar terms as those of the Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants options to subscribe for shares subject to the terms and conditions stipulated in the New Share Option Scheme.

31. SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme up to the date of this annual report is 593,624,574, that is, upon their exercise, equivalent to 10% of the shares of the Company in issue as at the date of the Company's annual general meeting on 25 June 2015. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options but subject to the provisions for early termination of the New Share Option Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The movements in share options under the Scheme during the year are as follows:

2021 and 2022

No option has been granted under the Share Option Scheme during the year ended 31 December 2021 and 31 December 2022. Also, no outstanding share option as at 31 December 2021 and 31 December 2022.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The special capital reserve represents the undertaking given by the Company in connection with the capital reduction during the year ended 31 March 2000. The special capital reserve shall not be treated as realised profits and shall be treated as an undistributable reserve as long as there shall remain any outstanding debts or claim which were in existence on the date of the cancellation of the shares of the Company pursuant to the capital reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

The capital reserve represents the excess of consideration over the proportion of net assets held by non-controlling shareholders from the partial disposal of Spotwin Investment Limited, an indirect non-wholly-owned subsidiary of the Group in previous years.

33. CAPITAL COMMITMENTS

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

	2022 **HK$'000**	2021 HK$'000
Property, plant and equipment		
Contracted but not provided for	–	2,963
Share of capital commitments of joint ventures	–	375,173

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	**2022** **HK$'000**	2021 HK$'000
Interest expenses to related companies	(i)	**37,355**	37,091
Office rental and other related expenses to a related company		**1,045**	610

Note:

(i) The interest expenses paid to related companies whose are the Company's substantial shareholder or companies whose controlling shareholder is also controlling shareholder of the Company's substantial shareholder were charged at an interest rate ranging from 5% to 5.6175% (2021: 5% to 5.6175%) per annum.

(b) Other transactions and outstanding balances with related parties:

Details of the Group's balances with joint ventures, non-controlling shareholders and related companies are included in the respective notes to the financial statements.

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

	2022 **HK$'000**	2021 HK$'000
Short term employee benefits and total compensation paid to key management personnel	**949**	1,824

Further details of directors' and chief executives' emoluments are included in note 11 to the financial statements.

35. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022	2021
	HK$'000	HK$'000
Financial assets		
Amortised cost	**227,671**	249,855
Financial liabilities		
Amortised costs	**1,313,013**	1,307,273

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders and cash and bank balances. 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 and other receivables, trade payables, other payables and accruals, promissory note receivables, amounts due from joint ventures and amounts due to joint ventures, which arise directly from its operations.

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

Market risk

Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

The carrying amounts of the bank balances and cash, trade receivables, deposits and other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from joint ventures are closely monitored by the directors.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2022 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and finance lease receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

* *English translation for reference only.*

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Other receivables HK$'000	Finance lease receivables HK$'000	Promissory note receivables HK$'000	Amounts due from joint ventures HK$'000	Total HK$'000
Balance at 31 December 2022	**10,342**	**17,642**	**89,000**	**108,800**	**225,784**
Loss allowances	**–**	**–**	**(26,700)**	**–**	**(26,700)**
Carrying amounts	**10,342**	**17,642**	**62,300**	**108,800**	**199,084**
Balance at 31 December 2021	9,567	28,289	89,000	128,968	255,824
Loss allowances	–	–	(26,700)	–	(26,700)
Carrying amounts	9,567	28,289	62,300	128,968	229,124

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

ECL rate					
2022	**–**	**–**	**30%**	**–**	**12%**
2021	–	–	30%	–	10%

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Reconciliation of allowance for ECLs of other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures

	Other receivables HK$'000	Finance lease receivables HK$'000	Promissory note receivables HK$'000	Amounts due from joint ventures HK$'000	Total HK$'000
Loss allowance at 1 January 2021 31 December 2021 and 31 December 2022	–	–	26,700	–	26,700

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2022					
Trade payables	**N/A**	**7,452**	**–**	**7,452**	**7,452**
Other payables	**N/A**	**261,361**	**–**	**261,361**	**261,361**
Loans from joint ventures	**N/A**	**14,611**	**–**	**14,611**	**14,611**
Loans from non-controlling shareholders	**N/A**	**32,343**	**–**	**32,343**	**32,343**
Loans from related companies	**4.60**	**844,337**	**–**	**844,337**	**817,679**
Interest-bearing bank and other borrowings	**5.16**	**179,567**	**–**	**179,567**	**179,567**
		1,339,671	**–**	**1,339,671**	**1,313,013**

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2021					
Trade payables	N/A	8,093	–	8,093	8,093
Other payables	N/A	216,504	–	216,504	216,504
Loans from joint ventures	N/A	15,858	–	15,858	15,858
Loans from non-controlling shareholders	N/A	32,343	–	32,343	32,343
Loans from related companies	4.54	847,265	–	847,265	820,911
Interest-bearing bank and other borrowings	5.58	213,328	800	214,128	213,564
		1,333,391	800	1,334,191	1,307,273

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities at variable rates, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's bank deposits and bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans.

At 31 December 2022, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$Nil (2021: HK$78,000) lower, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$Nil (2021: HK$78,000) higher, arising mainly as a result of higher interest expense on bank borrowings.

(c) Fair value

Management has assessed that the fair values of financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short term maturities of these instruments.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Interest bearing bank and other borrowings	Loans from non-controlling shareholders	Loans from joint ventures/ related companies	Loan interest payable to related companies and bank and other borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	962	233,473	32,343	826,412	151,062	1,244,252
Financing cash flows	(924)	(25,668)	–	6,344	(4,294)	(24,542)
Foreign exchange movement	13	5,759	–	4,013	666	10,451
Interest expense	27	–	–	–	55,602	55,629
At 31 December 2021 and 1 January 2022	**78**	**213,564**	**32,343**	**836,769**	**203,036**	**1,285,790**
Financing cash flows	**(1,648)**	**(19,073)**	**–**	**7,258**	**(416)**	**(13,879)**
Acquisition – leases	**4,789**	**–**	**–**	**–**	**–**	**4,789**
Foreign exchange movement	**(208)**	**(14,924)**	**–**	**(11,737)**	**(2,114)**	**(28,983)**
Interest expense	**320**	**–**	**–**	**–**	**43,557**	**43,877**
At 31 December 2022	**3,331**	**179,567**	**32,343**	**832,290**	**244,063**	**1,291,594**

38. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest to the Company Directly 2022 %	Directly 2021 %	Indirectly 2022 %	Indirectly 2021 %	Principal activities
Excellent Top Group Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Guangdong Zi Yu Tai Finance Leasing Company Limited*	PRC/Mainland China	US$100,000,000	**–**	–	**100**	100	Provision of finance lease and loan services
Ontex Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	**–**	–	**60**	60	Provision of land development and sale of construction materials
Dingbo Investment Limited	British Virgin Islands	US$100	**–**	–	**60**	60	Investment holding
Spotwin Investment Limited	British Virgin Islands/ Hong Kong	US$100	**–**	–	**49.5**	49.5 (Note)	Provision of land development and sale of construction materials

* This subsidiary is registered as wholly-foreign-owned enterprises under PRC law.

38. PRINCIPAL SUBSIDIARIES (continued)

Note: Since the Group holds 60% of the issued share capital of Ontex Enterprises Limited and Dingbo Investment Limited, which directly holds 32.5% and 50% of the issued share capital of Spotwin Investment Limited respectively, so the Group control the composition of the board of the directors of Ontex Enterprises Limited and Dingbo Investment Limited. Therefore it is classified as a subsidiary of the Group.

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

None of the subsidiaries had issued any debt securities at the end of this year.

The table below details of non-wholly owned subsidiary of the Group, which have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Spotwin Investment Limited	British Virgin Islands	**50.5%**	50.5%	**(3,381)**	(9,400)	**(76,751)**	(74,896)
Individually immaterial subsidiaries with non-controlling interests				**(195)**	(195)	**(1,889)**	(1,695)
				(3,576)	(9,595)	**(78,640)**	(76,591)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below.

The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2022 HK$'000	31 December 2021 HK$'000
Spotwin Investment Limited and its subsidiaries		
Current assets	**236,669**	262,111
Non-current assets	**86**	143
Current liabilities	**(388,737)**	(410,562)
Non-current liabilities	**–**	–
Net liabilities	**(151,982)**	(148,308)
Equity attributable to owners of the Company	**(75,231)**	(73,412)
Non-controlling interests	**(76,751)**	(74,896)
Revenue	**–**	–
Expenses	**(6,696)**	(18,614)
Loss for the year	**(6,696)**	(18,614)
Loss attributable to the non-controlling interests	**(3,381)**	(9,400)
Total comprehensive expense for the year	**(3,674)**	(18,288)
Total comprehensive expense attributable to the non-controlling interests	**(1,855)**	(9,236)

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

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

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	3
Investments in subsidiaries	–	–
Right-of-use assets	1,879	
	1,879	3
CURRENT ASSETS		
Prepayments, deposits and other receivables	597	635
Amounts due from subsidiaries	60,699	69,610
Amounts due from joint ventures	–	130
Bank balances and cash	4,699	572
	74,995	70,947
TOTAL ASSETS	76,874	70,950
CURRENT LIABILITIES		
Other payables and accruals	226,070	182,586
Other borrowings	25,047	25,047
Loans from related companies	672,606	665,356
Amounts due to subsidiaries	181,533	181,218
Lease liabilities	954	–
	1,106,210	1,054,207
NET CURRENT LIABILITIES	(1,031,215)	(983,260)
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,029,336)	(983,257)
NON-CURRENT LIABILITIES		
Lease liabilities	1,030	–
	1,030	–
NET LIABILITIES	(1,030,366)	(983,257)
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(3,265,181)	(3,218,072)
	(1,030,366)	(983,257)

Chang Chien
Director

Lam Toi Man
Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (continued)

Note:

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

	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	823,357	(3,983,559)	(3,160,202)
Loss and total comprehensive expense for the year	–	(57,870)	(57,870)
At 31 December 2021 and 1 January 2022	**823,357**	**(4,041,429)**	**(3,218,072)**
Loss and total comprehensive expense for the year	**–**	**(47,109)**	**(47,109)**
At 31 December 2022	**823,357**	**(4,088,538)**	**(3,265,181)**

40. EVENTS AFTER THE REPORTING PERIOD

Since 2022, the Group had repeated request two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for the year ended 31 December 2022 but the Group still unable to obtain them. Therefore, on 20 September 2023, the Group filed a lawsuit with Fuzhou Gulou District People's Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People's Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Fuzhou Intermediate People's Court in Fujian Province ("**Intermediate People Court**") to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022. Up to date of this report, the accounting books and records in respect of the AVIC Fujian and its subsidiary has not yet been obtained by the Group.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2024.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**153,068**	3,189	5,903	62,419	139,822
LOSS BEFORE TAX	**(47,162)**	(49,444)	(243,448)	(663,395)	(801,112)
Income tax (expense)/credit	**(2)**	(10)	54,737	78,430	104,629
LOSS FOR THE YEAR	**(47,164)**	(49,454)	(188,711)	(584,965)	(696,483)
Attributable to:					
Owners of the Company	**(43,588)**	(39,859)	(85,562)	(440,760)	(517,071)
Non-controlling interests	**(3,576)**	(9,595)	(103,149)	(144,205)	(179,412)
	(47,641)	(49,454)	(188,711)	(584,965)	(696,483)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**643,148**	698,869	703,982	2,526,115	3,088,674
Total liabilities	**(1,319,258)**	(1,310,216)	(1,273,126)	(2,872,636)	(2,813,238)
Non-controlling interests	**78,640**	76,591	67,161	(35,358)	(192,785)
	(597,470)	(534,756)	(501,983)	(381,879)	82,651