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

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

ANNUAL REPORT 2022

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CORPORATE INFORMATION

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

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

COMPANY SECRETARY
Ms. Poon Yuk Ching Ada

AUTHORISED REPRESENTATIVES
Mr. Zheng Wei
Ms. Poon Yuk Ching Ada

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

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

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

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

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1901, 19/F.,
Lee Garden One, 33 Hysan Avenue,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR
Baker Tilly Hong Kong Limited

WEBSITE
https://kaisa-capital.com

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

Stock Code
936

Board lot
10,000 shares

Dear Shareholders,

I am pleased to present the annual results of Kaisa Capital Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**").

During the Year, the Group generated revenue of approximately HK$200.2 million (2021: approximately HK$214.7 million) with a profit for the Year of approximately HK$5.2 million (2021: approximately HK$4.0 million).

Thanks to the Group's continuous efforts in equipment optimisation and upgrade, the performance of the continuing operations have generally shown an upward trend in the past five years, and the growth in profit for the Year was attributable to the increased number of heavy tower cranes, which earned higher net rental yields. Since 2021, the Group has started to turn losses into gains, and recorded a significant increase in profits, mainly through optimising equipment configuration to increase rental yields, and the effectiveness of reducing costs and enhancing efficiency. The Group has been striving to replace its equipment with newer models, with the aim to improving the performance and efficiency of tower cranes as well as the safety of erection and dismantling works, and enhancing customer satisfaction and service quality, so as to accelerate the transformation of the Group's construction equipment business to even higher levels. Currently, the Group's business segment in Hong Kong has also achieved substantial performance improvements, including entering into contracts for the Third Runway Passenger Building of the airport and various public housing tower crane projects, which will bring continuous and stable income to the Group. In April 2020, the Group successfully won a bid for a residential site at Reclamation Street and Shanghai Street in Mongkok, Hong Kong at a low price of HK$85.9 million. The site is a residential and commercial complex, with a number of large shopping malls in close proximity and a complete range of service facilities, and is conveniently accessible. It is expected that the site will become popular upon completion. The project site currently completes the pile foundation, foundation support and pile cap works, the main contractor will be determined through tender selection and commence the construction soon, and the whole project is expected to be completed by the first quarter of 2025.

The board of directors of the Company (the "**Board**") has full confidence in the growth of the construction demand, will take proactive measures to seize the opportunity, expand the presence of the Group in the tower crane rental market through increasing investment and leverage the expertise in projects to further enlarge its market share in the construction and real estate sectors. The Board will also develop effective business plans and risk management strategies so as to facilitate inter-connected development in machinery, construction and property businesses and enable the Group to achieve steady growth in its performance and sustainability objectives.

Appreciation

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

Kwok Ying Shing
Chairman

Hong Kong
29 March 2023

OPERATIONAL AND FINANCIAL REVIEW

Overall Performance

For the Year, the Group generated revenue of approximately HK$200.2 million (2021: approximately HK$214.7 million) with a profit for the Year of approximately HK$5.2 million (2021: approximately HK$4.0 million).

Business Review

Construction Equipment Business

Revenue from sales of machinery was approximately HK$9.1 million for the Year, representing a decrease of approximately 22.2% as compared to the amount the Group achieved for FY2021. This was due to the decrease in demands of new cranes in Hong Kong and Singapore.

Rental income from leasing of machinery decreased from approximately HK$170.4 million to approximately HK$163.6 million for the Year, representing a decrease of approximately 4.0% year over year mainly due to decrease of demand in crane leasing market in the People's Republic of China (the "**PRC**").

Revenue from service income decreased from approximately HK$30.9 million to approximately HK$25.9 million for the Year, representing a decrease of approximately 16.2% year over year mainly due to a decrease in demand of service in Hong Kong.

Sales of spare parts was approximately HK$1.6 million for the Year, representing a decrease of approximately 10.2% from the amount recorded for FY2021. The decrease was mainly due to the change in market demand of spare parts for the machinery.

Hong Kong segment

In Hong Kong segment, revenue decreased by approximately HK$5.5 million, or 12.7%, from approximately HK$43.1 million in 2021 to approximately HK$37.6 million in 2022. It was mainly due to projects being postponed and delayed.

Singapore segment

In Singapore segment, revenue increased by approximately HK$4.0 million, or 4.8%, from approximately HK$83.3 million in 2021 to approximately HK$87.3 million in 2022. It was mainly due to the increased number of heavy tower cranes, which earned higher rental values.

PRC segment

In PRC segment, revenue decreased by approximately HK$13.0 million, or 14.8%, from approximately HK$88.3 million in 2021 to approximately HK$75.3 million in 2022. It was mainly due to the slowdown of construction activities of the real estate development company.

Property Development Business

As at 31 December 2022, the Group had one property development project under development in Hong Kong and it commenced in the second quarter of 2020. There was no sale during the Year.

The Group's Property Development Project as at 31 December 2022

Project name	Location/Postal address	Interests Attributable to the Group	Total site area *(sq. ft.*)*	Status	Estimated completion time *(Note)*	Usage
Mong Kok	Lot No. 11238 at Reclamation Street and Shanghai Street, Mong Kok, Kowloon, Hong Kong	100%	2,718	Under development	March 2025	Residential

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

* sq.ft. means square feet

Analysis of Properties Under Development as at 31 December 2022

Project name	Total GFA* *(sq. ft.)*	GFA under development/ completed *(sq. ft.)*	Total saleable GFA* *(sq. ft.)*	Accumulated GFA* sold as at 31 December 2022 *(sq. ft.)*	Accumulated GFA* delivered as at 31 December 2022 *(sq. ft.)*	Average Selling Price *(HK$/sq. ft.)*
Mong Kok	17,910	0	10,308	0	0	Not applicable

* GFA means gross floor area

Dividend

The Board has resolved not to recommend the payment of any dividend for the Year (2021: Nil).

Financial Review

Results for the Year

As stated in the section headed "**Overall Performance**" above, the Group recorded a profit of approximately HK$5.2 million for the Year (2021: approximately HK$4.0 million).

For FY2022, the Group's other income and gains amounted to approximately HK$6.1 million, representing a decrease of approximately 20.4% compared to that of FY2021. The decrease was mainly attributable to a decrease in dividend and investment income from the financial assets.

As at 31 December 2022, the Group's property, plant and equipment amounted to approximately HK$206.0 million, representing an increase of approximately 9.8% compared to that as at 31 December 2021. The depreciation charges included in other operating expenses, and staff costs included in cost of sales and administrative expenses for the Year increased by approximately HK$1.0 million and decreased by approximately HK$9.9 million, respectively, as compared to the amounts for the previous year.

Finance costs amounted to approximately HK$10.5 million for the FY2022, representing an increase of approximately 1.7% compared to those of FY2021.

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$38.4 million as at 31 December 2022 (2021: approximately HK$26.4 million).

The total equity of the Group increased to approximately HK$137.1 million as at 31 December 2022 (2021: approximately HK$132.2 million).

As at 31 December 2022, the Group had net current liabilities of approximately HK$74.1 million (2021: approximately HK$33.7 million).

Capital Structure

As at 31 December 2022, the Company's share capital comprised 1,060,000,000 issued ordinary shares with par value of HK$0.01 each (the "**Shares**", each, a "**Share**"). There was no change in the share capital of the Company during the Year.

Investment Position and Planning

During the Year, the addition of property, plant and equipment of the Group amounted to approximately HK$31.6 million (2021: approximately HK$88.7 million).

Significant Investments/Material Acquisitions and Disposals

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

Future Plan for Material Investments or Capital Assets

Saved as disclosed above, the Group did not have other plans for material investments and capital assets as at 31 December 2022.

Gearing

The Group monitors capital using a gearing ratio, which is calculated by dividing the total debts (sum of carrying amounts of other loans, borrowings and lease liabilities) by the total equity as at the respective dates. The Group's gearing ratio as at 31 December 2022 was decreased to 1.6 (2021: 2.0), mainly due to the decrease in interest-bearing borrowings/bank borrowings for the Year.

Pledge of Group Assets and Contingent Liabilities

As at 31 December 2022,

(a) the Group's banking facilities were secured by the Group's estate right title benefit and interest of the leasehold land, a building of the Group with an aggregate carrying amount of approximately HK$28.5 million (2021: approximately HK$28.2 million), property, plant and equipment of approximately HK$5.9 million (2021: approximately HK$7.0 million), and corporate guarantees executed by the Company and certain subsidiaries. As at 31 December 2022, no properties under development (2021: approximately HK$85.9 million) was pledged as collateral for bank borrowings;

(b) the Group's lease liabilities were secured by property, plant and equipment of approximately HK$82.4 million (2021: approximately HK$58.1 million);

(c) the Group's other borrowings were secured by property, plant and equipment of approximately HK$27.1 million (2021: approximately HK$21.4 million) and corporate guarantees executed by the Company and certain subsidiaries; and

(d) the Group and the Company did not have any significant contingent liabilities (2021: Nil).

Exchange Rate Exposure

During the Year and as at 31 December 2022, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollars. In particular, the revenue generated from the Group's rental operations in Singapore and the PRC were primarily denominated in Singapore dollars and Renminbi, respectively. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro, United States dollars or Renminbi. For purchases in foreign currencies, hedging transactions may be entered into against fluctuations in the foreign exchange rate. However, no hedging arrangement was undertaken for revenue generated from the Group's operations in Singapore and the PRC.

Treasury Policies

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

Commitments

As at 31 December 2022, the Group had total capital commitments of approximately HK$49.4 million and HK$7.5 million related to the acquisitions of property, plant and equipment and properties under development for sale, respectively (2021: approximately HK$5.7 million and HK$24.4 million, respectively).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 102 (2021: 121) employees in Hong Kong, Singapore and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities. Periodic in-house trainings have been provided to the employees to enhance the knowledge of the workforce.

FUTURE OUTLOOK

Singapore has fully recovered from the COVID-19 pandemic. In 2022, Singapore branch maintained a stable business growth amidst unfavourable factors such as global economic slowdown and regional regulatory policies. The Group will leverage on the competitive advantages of its respective operating platforms in Singapore, Hong Kong and Mainland China, while developing its sales network with a core focus on each of these regions and consequently radiating towards peripheral Southeast Asian countries, South Korea, Dubai, South America and other countries. The Group's multi-regional development policy has sufficiently reduced operational risks and achieved business growth.

The awarded contract value in Singapore's construction industry in 2022 amounted to S$29.8 billion (comparable with the sum in 2021). The Building and Construction Authority of Singapore estimated that such contract value would range from approximately S$27 billion to S$32 billion in 2023, and construction demand would reach between S$25 billion and S$32 billion per year from 2024 to 2027. Recently, Singapore government has considered accelerating public rental housing programmes (also known as HDB) to meet public demand. In addition, the development of private residential projects in Singapore, a gathering place for rich foreigners, will also increase the demand for land use and infrastructure construction, thereby driving the demand for the construction and real estate industries, and creating more business opportunities for the tower crane rental industry.

Hong Kong government will dedicate substantial resources to the construction of traditional public rental housing units and Light Public Housing units, which may increase the demand for tower cranes. Moreover, as the government encourages the use of the Modular Integrated Construction (MiC) method, the market demand for heavy tower cranes is even stronger. The Northern Metropolis development plan and the Lantau Tomorrow Vision project are both underway. All those efforts combined have brought about positives impacts to the construction industry and the tower crane industry. In the next few years, the government's annual expenditure on capital works is expected to exceed HK$100 billion, and Hong Kong's total construction volume (projects in the private sector inclusive) will increase to HK$300 billion per year. According to the 2023-2024 Hong Kong government's Budget, the government will allocate land resources to construct no less than 72,000 private housing units from 2023 to 2028. In addition, the government encourages the application of advanced technology in the construction industry, reserving a total of HK$75 million for the establishment of a construction research and development and testing centre, the construction of advanced construction industry buildings, and the enhancement of the "MiC" supply chain. Therefore, intelligent and green building projects in the construction industry are expected to gain further development, which will accelerate the pace of improvement and upgrade of construction machinery and equipment such as tower cranes, thereby providing more business opportunities for the tower crane rental industry.

The Greater Bay Area is one of the key development strategies proposed by the Chinese government. The government is concerned about market activities in the real estate and construction industries of the Greater Bay Area, and has launched various policies and measures to support their development. The government will devote more efforts to urban renewal, advance the renovation and reconstruction of old residential areas, while increasing investment in urban infrastructure to promote urban modernisation and ecological development. These policies will further boost the market activity in the real estate and construction industries of the Greater Bay Area, increase the demand of the industry and promote the development of the tower crane rental industry. As quarantine-free travel has started to resume between Hong Kong and Mainland China, the Group will have better synergies in terms of machinery and equipment in Hong Kong and Shenzhen.

EXECUTIVE DIRECTORS

Mr. Kwok Ying Shing, aged 58, is the chairman of the Board (the "**Chairman**"). Mr. Kwok was appointed as an executive Director and the Chairman on 16 July 2021. He is also the chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company.

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

Mr. Zheng Wei, aged 45, is the chief executive officer of the Company (the "**Chief Executive Officers**"). Mr. Zheng was appointed as an executive Director and the Chief Executive Officer on 9 September 2022. Mr. Zhao is also an authorised representative of the Company under each of the Rules Governing the Listing of Securities on the Stock Exchange and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Zheng graduated from the Lanzhou University of Technology in the PRC with a major in accounting. He is an intermediate accountant. He joined Kaisa Group, a company listed on the Main Board of the Stock Exchange (stock code: 1638), which is the ultimate holding company of the Company, in February 2016. From February 2016 to June 2021, Mr. Zheng served as the vice president of Kaisa Culture Sports & Technology Group* (佳兆業文體科技集團) and the chairman of Kaisa Cultural Development Company* (佳兆業文體科技集團文化發展公司). From February 2019 to June 2021, he served as the vice president of Shenzhen Cultural Association* (深圳市文化協會) in the PRC. From June 2021 to August 2022, Mr. Zheng was an executive director and the chief financial officer of Sing Tao, a company listed on the Main Board of the Stock Exchange (stock code: 1105).

Ms. Lee Kin Ping Gigi, aged 41, is an executive Director appointed on 16 July 2021. She is also a director of certain subsidiaries of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaowu, aged 49, was appointed as an independent non-executive Director on 4 November 2019. Mr. Xu is also the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of the Nomination Committee.

Mr. Xu has more than 30 years of experience in audit and accounting works in the PRC. He worked as an auditor and accountant in various accounting firms in the PRC. Mr. Xu was an executive partner of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*) from January 2005 to May 2010, the deputy branch manager of China Audit Asia Pacific Certified Public Accountants LLP, Shenzhen Branch (中審亞太會計師事務所深圳分所) from June 2010 to July 2013, and a senior consultant of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*) from August 2013 to September 2015, and has been the branch manager of 中證天通會計師事務所深圳分所 (Zhongzheng Tiantung Accounting Firm, Shenzhen Branch) since October 2015.

Mr. Xu was an independent director of each of 中嘉博創信息技術股份有限公司 (ZJBC Information Technology Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 000889) from June 2016 to February 2019 and 廣東星徽精密製造股份有限公司 (Guangdong SACA Precision Manufacturing Co., Ltd*) (a company listed on the Shenzhen Stock Exchange, stock code: 300464) from November 2016 to January 2020, and has been an independent director of 廣東塔牌集團股份有限公司 (Guangdong Tapai Group Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 002233) since June 2019, 深圳市有方科技股份有限公司 (Shenzhen Neoway Technology Co., Ltd.*)(a company listed on the Shanghai Stock Exchange, stock code: 688159 since July 2017, and Shenzhen Bauing Construction Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002047) since December 2022.

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

Mr. Li Yongjun, aged 57, was appointed as an independent non-executive Director on 4 November 2019. Mr. Li is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

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

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

* *For identification purposes only*

Mr. Diao Yingfeng, aged 51, was appointed as an independent non-executive Director on 6 December 2019. Mr. Diao is a member of each of the Audit Committee and the Remuneration Committee.

Mr. Diao has more than 20 years of experience in tax and accounting works in the PRC. He worked as a partner, tax adviser and accountant in various taxation agency firms in the PRC. Mr. Diao worked as a Deputy General Manager of 廣東中成海華稅務師事務所有限公司深圳分公司 (Guangdong Zhongcheng Haihua Taxation Agency Co., Ltd., Shenzhen branch*) from March 2003 to December 2008, was the head of 深圳市嘉信瑞稅務師事務所有限公司 (Jiaxinrui Taxation Agency Co., Ltd. (Shenzhen)*) from January 2009 to October 2016, and has been working as an executive director of 立信德豪稅務師事務所（深圳）有限公司 (Lixin Certified Tax Agents (Shenzhen) Co., Ltd.) since November 2016.

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

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

* *For identification purposes only*

REPORT OF THE DIRECTORS

The directors of Kaisa Capital Investment Holdings Limited (the "**Company**" and the "**Director(s)**, respectively") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**" or "**FY2022**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year were (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery; and (ii) property development. Details of the principal activities of the subsidiaries are set out in note 35 to the Consolidated Financial Statements.

SEGMENT INFORMATION

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

BUSINESS REVIEW

A review of the business of the Group during the Year, the principal risks and uncertainties that the Group may be facing, and a discussion on the Group's future development are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 8 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Five-Year Financial Summary on pages 163 and 164 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 33 to 66 of this annual report.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2022 are set out in the Consolidated Financial Statements on pages 73 to 162 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the Year (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 31 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the FY2022, the Company did not redeem any of its own listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 32 to the Consolidated Financial Statements and the consolidated statement of changes in equity on page 76 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have a reserve available for distribution. Under the Companies Law of the Cayman Islands, the share premium account of the Company amounting to approximately HK$346.8 million as at 31 December 2022, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 26.9% with the largest customer accounted for approximately 5.8%; the purchase attributable to the Group's five largest suppliers was approximately 51.3% with the largest supplier accounted for approximately 22.6%.

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

DIRECTORS

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

Executive Directors

Mr. Kwok Ying Shing *(Chairman)*
Mr. Zheng Wei *(Chief Executive Officer) (appointed on 9 September 2022)*
Mr. Zhao Yi *(Chief Executive Officer) (resigned on 9 September 2022)*
Ms. Lee Kin Ping Gigi
Mr. Zhou Puzhang *(resigned on 28 January 2022)*

Independent Non-Executive Directors (the "INEDs")

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

In accordance with articles 108 and 112 of the Articles, Mr. Zheng Wei, Mr. Xu Xiaowu and Mr. Li Yongjun shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "**AGM**").

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Kwok Ying Shing, Mr. Zheng Wei and Ms. Lee Kin Ping Gigi, executive Directors, has entered into a service agreement with the Company for a term of three years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Kwok Ying Shing and Ms. Lee Kin Ping Gigi commenced on 16 July 2021 and the service agreement of Mr. Zheng Wei commenced on 9 September 2022.

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

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

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

DIRECTORS' REMUNERATION

The fees of the Directors are subject to Shareholders' approval at general meetings of the Company. The remuneration committee of the Board (the "**Remuneration Committee**") has the delegated responsibility to determine the specific remuneration packages of all executive Directors and make recommendations to the Board on the remuneration of non-executive Directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and employment conditions elsewhere in the Group. The Board makes reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 16 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTRACT OF SIGNIFICANCE

Save as disclosed in note 39(a) to the Consolidated Financial Statements, the Company did not enter into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries during the Year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE 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 any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")), which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors, the following entities or persons other than the Directors and the chief executive of the Company had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares interested/held	Approximate percentage of the Company's issued Shares *(Note 1)*
Mighty Empire Group Limited ("**Mighty Empire**")	Beneficial owner and a concert party to an agreement	600,020,000 *(Note 4)*	56.60%
Kaisa Group Holdings Limited ("**Kaisa Group**")	Interest of a controlled corporation	600,020,000 *(Notes 2 and 4)*	56.60%
Excel Range Investments Limited ("**Excel Range**")	Beneficial owner and a concert party to an agreement	600,020,000 *(Notes 3 and 4)*	56.60%
Ms. Kwok Hiu Ting ("**Ms. Kwok HT**")	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Ms. Kwok Hiu Yan ("**Ms. Kwok HY**")	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Ms. Kwok Ho Lai ("**Ms. Kwok HL**")	Interest of a controlled corporation	600,020,000 *(Notes 3 and 4)*	56.60%
Mr. Chan Mo	Beneficial owner	130,000,000	12.26%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. The percentage represents the total number of the Shares interested divided by the number of issued Shares of 1,060,000,000 as at 31 December 2022.

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

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

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

Save as disclosed above, as at 31 December 2022, as far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests or short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at 31 December 2022 or at any time during the year ended that date.

SHARE OPTION SCHEME

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

As at 31 December 2022 and the date of this report, there were no outstanding share options granted under the Old Scheme.

No share option has been granted under the Share Option Scheme since its adoption and therefore, as at 31 December 2022 and the date of this report, there were no outstanding share options granted under the Share Option Scheme and no share option was exercised and cancelled or lapsed during the Year.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Full details of the Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 20 to 32 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Group did not have any other material subsequent event after the reporting period and up to the date of this annual report.

INDEPENDENT AUDITOR

The Company has appointed BDO Limited ("**BDO**") as the Independent Auditor since 2010. BDO resigned as the Company's independent auditor (the "**Independent Auditor**") and the Company appointed Grant Thornton Hong Kong Limited ("**Grant Thornton**") as the Independent Auditor with effect from 23 December 2019 to fill the casual vacancy following the resignation of BDO and the re-appointment of Grant Thornton as the Independent Auditor was approved by the Shareholders at the annual general meeting held on 22 May 2020.

Grant Thornton resigned as the Independent Auditor and the Company appointed Baker Tilly Hong Kong Limited ("**Baker Tilly**") as the Independent Auditor with effect from 7 November 2022 to fill the casual vacancy following the resignation of Grant Thornton. The Board has taken the recommendation of its audit committee that a resolution will be proposed at the forthcoming AGM to re-appoint Baker Tilly as the Independent Auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

The Consolidated Financial Statements have been audited by Baker Tilly.

BY ORDER OF THE BOARD

Kwok Ying Shing
Chairman

Hong Kong, 29 March 2023

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2022 (the "**Year**"), the Company complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**", the "**Listing Rules**" and the "**CG Code**", respectively).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

THE BOARD OF DIRECTORS

The Board

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

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

Chairman and Chief Executive

Code provision C.2.1 of Part 2 of The CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. The chairman of the Board (the "**Chairman**") is Mr. Kwok Ying Shing and the Chief Executive Officer of the Group (the "**CEO**") is Mr. Zheng Wei. The Chairman is responsible for overseeing the functioning of the Board and in charge of overall affairs of the Group while the CEO is responsible for managing operation planning of the Group's businesses.

Board Composition

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

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

Executive Directors
Mr. Kwok Ying Shing *(Chairman)*
Mr. Zheng Wei *(Chief Executive Officer) (appointed on 9 September 2022)*
Mr. Zhao Yi *(Chief Executive Officer) (resigned on 9 September 2022)*
Ms. Lee Kin Ping Gigi
Mr. Zhou Puzhang *(resigned on 28 January 2022)*

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

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

The brief biographical details of the Directors are set out in the "Biographical Details of Directors" on pages 9 to 11 of this annual report. The updated list of Directors comprising the executive Directors and the INEDs, and their role and function were published on the respective websites of the Stock Exchange and the Company.

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

In compliance with code provision C.1.8 of Part 2 of the CG Code, the Company has maintained appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointment and Re-election of Directors

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

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

Directors' Training and Professional Development

During the Year, the Company had provided materials for the Directors and senior executives to develop and refresh the Directors' knowledge and skills with an emphasis on the roles, functions and duties of a director of a listed company in compliance with code provision C.1.4 of Part 2 of the CG Code. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials.

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

Directors	Types of training
Executive Directors	
Mr. Kwok Ying Shing	B, C
Mr. Zheng Wei *(appointed on 9 September 2022)*	B, C
Ms. Lee Kin Ping Gigi	B, C
Mr. Zhao Yi *(resigned on 9 September 2022)*	B, C
Mr. Zhou Puzhang *(resigned on 28 January 2022)*	B, C
INEDs	
Mr. Xu Xiaowu	A, B, C
Mr. Li Yongjun	B, C
Mr. Diao Yingfeng	B, C

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

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

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

INEDs

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

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

BOARD INDEPENDENCE

The Company recognises that Board independence is pivotal to good corporate governance and Board effectiveness. The Board has established mechanisms to ensure that independent views and input from any Director are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board to ensure their effectiveness:

1. The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new INED before appointment and also the continued independence of existing INEDs and their time commitments annually. On an annual basis, all INEDs are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

2. The Nomination Committee will conduct the performance evaluation of the INEDs annually to assess their contributions.

3. External independent professional advice is available as and when required by individual Directors.

4. All Directors are given an opportunity to include matters in the agenda for Board meetings.

5. All Directors are encouraged to express freely their independent views and constructive challenges during the Board meetings.

6. A Director (including INED) who has a material interest in a matter shall not vote or be counted in the quorum on any Board resolution approving the same. Further, the matter should be dealt with by a physical Board meeting rather than a written resolution of the Directors. INEDs who, and whose close associates (as defined in the Listing Rules), have no material interest in the matter should be present at that Board meeting to express their views and input on the matter.

7. The Chairman (who is presently an executive Director) meets with INEDs annually without the presence of other executive Directors.

BOARD COMMITTEES

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

Audit Committee

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

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

During the Year, three meetings of the Audit Committee were held and a written resolutions was circulated regarding the review of (i) the Group's annual audited financial statements for the year ended 31 December 2021 with the independent auditor; (ii) the unaudited interim financial statements for the six months ended 30 June 2022, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval; (iii) the changes in accounting standards and assessed their potential impacts on the Group's financial statements; (iv) the Company's financial reporting system, internal control system and risk management system and related matters; and (v) the appointment and resignation of external auditor with recommendations made to the Board for approval.

On 29 March 2023, the Audit Committee has reviewed with the management of the Company and the independent auditor the annual results of the Group for the Year, including the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control and financial reporting matters.

Remuneration Committee

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

The Remuneration Committee is primarily responsible for (i) making recommendations to the Board on the Company's policy and structuring for all remuneration of the Directors and senior management and establishing the formal and transparent procedures for developing such remuneration; (ii) determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group; and (iii) reviewing and approving remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Details of remuneration for each Director and emoluments for senior management are set out in note 16 to the consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**").

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

Nomination Committee

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

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

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

Board Diversity Policy

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

For the Year, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy was consistently implemented. As at the date of this annual report, the Board consists of one female and five male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 4:1, which is in line with the industry of the Group's business. The Board considers that the gender diversity in its workforce is currently achieved.

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

Nomination Policy

The Nomination Committee has adopted the Nomination Policy with effect from 24 December 2019.

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

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

(a) Character and integrity;

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

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2 of Part 2 of the CG Code.

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

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

The attendance record of each Director at the Board meetings, the Board Committees' meetings and the AGM held during the Year is set out below:

Directors	Board Meeting(s) Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Audit Committee Meeting(s) Attended/ Eligible to attend	2022 AGM Attended/ Eligible to attend
Executive Directors					
Mr. Kwok Ying Shing	5/5	1/1	1/1	–	1/1
Mr. Zheng Wei *(appointed on 9 September 2022)*	1/1	–	–	–	–
Ms. Lee Kin Ping Gigi	5/5	–	–	–	1/1
Mr. Zhou Puzhang *(resigned on 28 January 2022)*	1/1	–	–	–	–
Mr. Zhao Yi *(resigned on 9 September 2022)*	4/4	–	–	–	1/1
INEDs					
Mr. Xu Xiaowu	5/5	1/1	–	3/3	1/1
Mr. Li Yongjun	5/5	1/1	1/1	3/3	1/1
Mr. Diao Yingfeng	5/5	–	1/1	3/3	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 16 to the Consolidated Financial Statements. Pursuant to code provision E.1.5 of Part 2 of the CG Code, the remuneration of the members of the senior management (other than the Directors) by band is set out below:

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

INDEPENDENT AUDITOR'S REMUNERATION

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

	HK$'000
Audit services	830
Non-audit services in respect of interim review of financial results and other services	Nil

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, Baker Tilly Hong Kong Limited, about their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 67 to 72 of this annual report.

COMPANY SECRETARY

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

A. Risk Management and Internal Control Systems Review

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

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

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

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

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

During the Review, the Company conducted the following procedures:

– follow-up review on previous findings on risks;

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

– quantifying the risks by financial data and market searches;

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

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

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

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

B. Group Risk Report

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

C. Dissemination of Inside Information

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

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

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

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

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

D. Internal Audit Function

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

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

CORPORATE GOVERNANCE ENHANCEMENT

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

COMMUNICATION WITH SHAREHOLDERS

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

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including but not limited to (i) timely disclosures of the Corporate Communications; (ii) the steps taken at the general meetings to ensure the opportunities for the Company to have direct interactions with Shareholders, the handling of queries received (if any), and the participation of Board members, in particular, the chairmen of Board committees or their delegates, and external auditor at the general meetings; and (iii) the multiple channels of communication and engagement in place, as well as the update of information on the Company's website on a timely manner. With the above measures in place, the Board considers that the Shareholders' Communication Policy has been effectively implemented during the Year.

DIVIDEND POLICY

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

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

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

SHAREHOLDERS' RIGHTS

Procedures for convening an Extraordinary General Meeting by the Shareholders

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

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

Procedures for the Shareholders to put their enquiries to the Board

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

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

Procedures for making proposals at the Shareholders' meetings

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

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

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

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

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

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

Shareholder's/Investor's Communication Policy

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

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

Telephone number	:	(852) 3678-8589
By post	:	Room 1901, 19/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong for the attention of the Board of Directors
By email	:	info@kaisa-capital.com

Constitutional Documents

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

INTRODUCTION

Kaisa Capital Investment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). This ESG Report complied with the "comply or explain" provisions of the ESG Reporting Guide, illustrated and highlighted the environmental and social performance of the Group for the reporting period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), which aligns with the financial year as the 2022 annual report of the Group.

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

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

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

REPORTING PRINCIPLES

The ESG Report is prepared according to the "Comply or Explain" provisions and the four Reporting Principles as required by the ESG Reporting Guide:

1. Materiality: Based on our continuous communication with stakeholders, the Group has formulated models to analyze environmental and social aspects. Based on our internal materiality analysis, ESG topics that may influence the perspectives of the stakeholders are disclosed.

2. Quantitative: ESG data are presented numerically and our ESG performance can be compared against our peers, industry standards and our previous year's performance. The details of calculation basis are further disclosed in relevant sections of the Report.

3. Balance: All information disclosed in the Report shall be unbiased. There will not be any misleading presentation format, selections and omission that may inappropriately influence the decision of a stakeholder.

4. Consistency: In order to ensure comparability, all ESG Key Performance Indicator ("**KPI**") calculation and assumption are consistent with the previous year. Any changes in our methodologies are disclosed clearly to inform the stakeholders.

REPORTING BOUNDARY

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

MESSAGES FROM THE BOARD

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

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

We are not a Group that only lavishes praise on the passion to embrace sustainable development, but a team of passionate individuals and organisations who are committed to continuing this tradition by setting ambitious targets and putting efforts to achieve them. Our target remains the same as the previous years to reduce the overall water consumption and paper consumption by 5% in a five-year interval. In 2022, the Group had successfully reduced total water consumption by 19.15%. Moreover, the external environment of businesses continues to shift in these years, which encourages us to adopt a changing approach that not only focuses on our own dimension, but also commits to respecting our environment and maintaining our social responsibilities to the community.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ANALYSIS

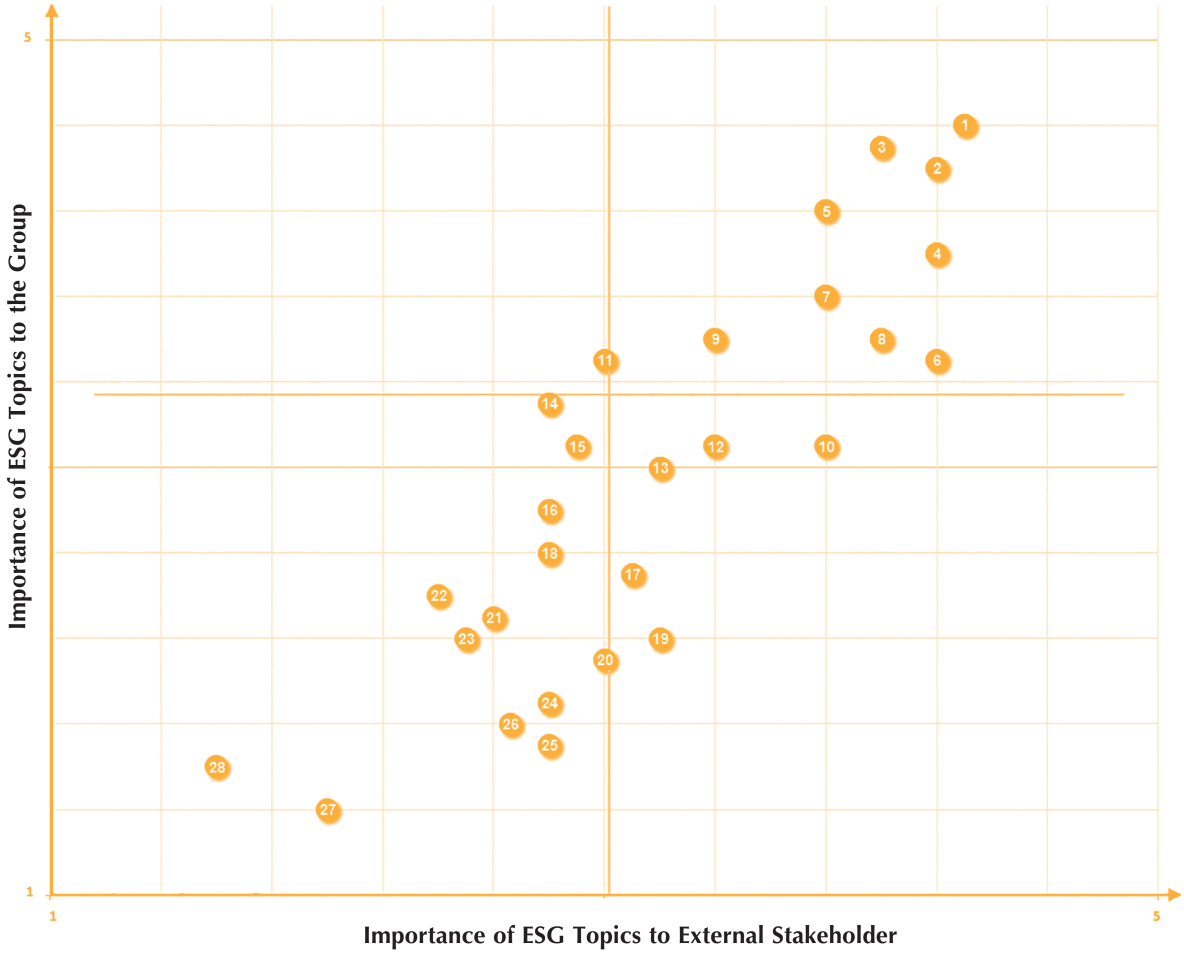
Creating value for our stakeholders has always been the core mission of our Group. The Group pays attention to the perspectives and expectations of our stakeholders in order to help us to assess potential impacts of future business activities. The Group strives to maintain open and smooth communication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

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

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

The Group undertook an annual review by engaging its stakeholders in a materiality assessment survey in 2022 in order to identify their main concerns and material interest of ESG issues. The Group chose its stakeholders against a series of criteria and a group of internal and external stakeholders were identified, prioritised and selected based on their influence and dependence on the Group. An electronic survey was completed by those chosen stakeholders to comment a list of ESG issues. The survey is focused on identifying stakeholders' perspective on the Group's ESG, also known as corporate social responsibility (CSR) performance and perform materiality assessment for the Group. The Group developed its action plans by using the outcome of the survey which acts as a powerful tool in order to plan the ESG management more effectively. The chart below briefly shows the results of the assessment:

Materiality Assessment Matrix



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

According to the materiality matrix, the issues located at the top right corner are the relatively more important ESG areas. Through the materiality analysis, the Group identified (i) Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions); (ii) Anti-corruption policies and whistle-blowing procedure; and (iii) Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering, as issues of high importance. Given the high degree of concerns on the material issues mentioned above, the Group has carefully priced the risks and opportunities behind those matters and elaborated in detail under different sections of this ESG report.

STAKEHOLDERS' FEEDBACK

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

Email:	info@kaisa-capital.com
Website:	https://kaisa-capital.com
Address:	Room 1901, 19/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Tel:	(852) 3678 8589

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

A. ENVIRONMENTAL ASPECTS

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

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

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

A.1. Emissions

In 2022, the Group's environmental rules and practice establishes commitments to operate beyond statutory requirements and to raise awareness of the green issues. The Group has strictly followed the relevant laws and regulations regarding to the environmental issues, such as air and greenhouse gas emissions, discharges into water and land, disposal of hazardous and non-hazardous wastes, and noise that bring significant influence on the Group. In furtherance of curtailing its drawback on environmental impact, the Group keeps pursuing innovative solutions by utilising its equipment with low-carbon and green technologies, implementing control mechanism on emissions as well as setting relevant approach and robust environmental system to address emissions. Moreover, the Group has also dedicated to apply internal procedures in environmental protections and raise employees' conscious on emissions reduction.

According to Group's business nature, the environmental impacts of the Group facilities and offices are limited to the air emissions which were mainly generated from fuel combustion for daily transportation as diesel oil and petrol are used to run vehicles, including the generation of sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**"). In 2022, the air emissions of "SO_x", "NO_x" and "PM" amounted to 0.56 kg, 419.14 kg and 40.21 kg, respectively, resulting in increase of 1.82%, 81.92% and 82.77% in emissions comparing to the air emissions generated in 2021. It is still widely known that climate change, a major environmental issue driven by greenhouse gas emissions that is not only a global agenda but also highly affecting individuals and society from personal health, economy and ecosystems. The core business of the Group does not mainly generate greenhouse gases and air emission. Emissions are usually produced by fuels and petrol consumed for office and workplace use for transportation and electricity. Specifically, the Group emitted a total of 230.14 tonnes of carbon dioxide equivalent ("**CO_2e**") (carbon intensity: 2.3 tonnes CO_2e/employee) in 2022, with emissions from Scope 1 accounting for 43.20% approximately, whereas 54.56% came from Scope 2. Other indirect emissions (Scope 3) occupied around 5.16 tonnes. In terms of the total emission of CO_2e, it results a drop of 57.84% comparing to the carbon emission produced in 2021. The large percentage difference is primarily associated with reductions of 16.35% from Scope 2 emissions and increase of 1.18% from Scope 3 emissions respectively.

Moreover, GHG emissions from electricity consumption in processing sewage and fresh water by governmental departments were calculated together with the disposed paper waste of at landfills. The Group does not produce any hazardous waste such as, chemical, pesticides and other dicey chemicals. From the principal activities held by the Group, non-hazardous waste generated from the Group's business operation is generally the administrative consumables from construction sites and office in which does not bring a long vital impact to the environment. In 2022, no hazardous solid waste or sewage produced by the Group. Total emissions of the Group in 2022 and 2021 are summarised in table below.

The Group's Total Emissions by Category in 2022 and 2021

Emission Category[5]	Key Performance Indicator (KPI)	Unit	2022 Amount in 2022	2022 Intensity[1] (Per Employee) in 2022	2021 Amount in 2021	2021 Intensity[1] (Per Employee) in 2021	Amount Increase (+) or Decrease (-) in Percentage
Air Emissions[2]	SO_x	Kg	0.56	Less than 0.01	0.55	Less than 0.01	+1.82%
	NO_x	Kg	419.14	4.10	230.4	2.00	+81.92%
	PM	Kg	40.21	0.40	22.00	0.20	+82.77%
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	99.42	1.00	102.6	0.90	–3.10%
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	125.56	1.20	150.10	1.30	–16.35%
	Scope 3 (Other Indirect Emissions)	Tonnes CO_2e	5.163	0.05	5.104	0.04	+1.18%
	Total (Scope 1, 2 & 3)	Tonnes CO_2e	230.14	2.26	257.8	2.20	–10.73%
Non-hazardous Waste	Solid Wastes	Tonnes	47.54	0.50	60.90	0.50	–21.94%
	Water Wastes	m^3	3,817.00	37.42	4,720.80	40.00	–19.18%

Note:

1: *Intensity was calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in 2022 and 2021, which was 102 and 121 respectively;*

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

3: *In 2022, the Group's Scope 3 (Other Indirect Emissions) included paper waste disposed of at landfills, electricity used for processing fresh water and sewage by government departments and business air travel by employees;*

4: *In 2021, the Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills and electricity used for processing fresh water and sewage by government departments;*

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

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

The Group has strived to be more proactive in order to lower the damage led by GHG emission through bringing forward effective policies and measures in the construction projects and offices, and motivated all its employees to change their attitude and habits in favour of improving energy efficiency and diminishing the intervals of energy consumptions. Different environmental friendly initiatives were used by the Group to use less energy in daily business operation, for instance, switching off all lights and air-conditioning when leaving the office, time controlling of on/off for office electrical applicants and updating the Group approach in order to mitigate climate-related risks at source. In 2022, there is no significant change in the patterns of GHG emissions, illustrating that electricity consumption is the most common indirect factor of which GHG emissions dominated among the Group. The Group has implemented internal electricity-saving policies in the workplace and specific measures further described in the next subsection under **Electricity**. The solid waste including domestic and construction waste decreased by 21.94% in 2022 during the Reporting Period. To further control and reduce its solid waste, the Group has tremendously promoted the 'Reduce, Reuse and Recycle' approach with clear guidance among employees in both Hong Kong and Singapore branches with the aims of saving resources and energy. Meanwhile, the Group has concentrated on the following four areas in particular, in order to minimise its waste and raise employees' environmental awareness in both offices and construction sites:

- Transitioning to smart and environmentally-friendly purchasing and design, such as the adoption of more advanced and less wasteful technologies;
- Managing raw materials effectively;
- Energy efficiency is considered when purchase and operate machineries; and
- Strengthening the training to workforces.

In 2022, the Group provides training to all levels of staff to raise their attention in reducing the adoption of disposable items such as plastic tableware and paper utensils. The Group sustains 3Rs principles, referring to Reduce, Reuse and Recycle. For the sake of eliminating the production of solid waste, office stationeries and equipment were highly encouraged to be reused and electronic means of communications were recommended for paper saving initiatives. For the handling method of non-recyclable municipal solid wastes such as paper products, property management worked to collect the disposed waste regularly with proper categorisation. Since metal waste may do harm to the environment without proper handling after being discarded, especially for obsolete metal parts and machinery components which are commonly used in business activities, the handling method for the mentioned metal waste are either stored at certain places for resale to professional third parties for centralised the objective of recycling or reusing in the next production stage if possible. Furthermore, despite that the municipal wastewater is discharged normally into the sewage system of the property building, the Group commits to control the consumption of freshwater and reuses the treated construction wastewater when possible to effectively reduce the amount of wastewater from offices and site offices. It has also implemented energy and water efficiency measures to help promote preservation and conversation of resources, as well as achieving the high water efficiency during operations. Further information regarding water conservation practices in the Group are detailed in the next subsection under **Water**.

A.2. Use of Resources

In 2022, electricity, petrol, diesel, water, paper and plastic as packaging materials were the main resources consumed by the Group. The table below illustrates the amount of different resources consumed by the Group in 2022 and 2021.

Group's Total Use of Resources by Category in 2022 and 2021

			2022		2021		
Use of Resources[2]	Key Performance Indicator (KPI)	Unit	Amount in 2022	Intensity[1] (Per Employee) in 2022	Amount in 2021	Intensity[1] (Per Employee) in 2021	Amount Increase (+) or Decrease (-) in Percentage
Energy	Electricity	kWh	305,970.00	2,999.70	339,120.00	2,873.90	–9.78%
	Petrol	kWh	63,370.00	621.30	137,102.00	1,161.90	–53.78%
	Diesel	kWh	317,600.00	3,113.80	227,841.00	1,930.90	+39.4%
Water	Water	m^3	3,817.00	37.42	4,721.00	40.00	–19.15%
Paper	Paper	Tonnes	0.45	0.004	0.45	0.004	+0.00%
Packaging Materials	Metal	Kg	100.00	0.98	1,400.00	11.90	–92.86%
	Plastic	Kg	300.00	2.94	200.00	1.70	+50.00%

Note:

1: *Intensity was calculated by dividing the amount of consumed resources by the total workforce of the Group in 2022 and 2021, which was 102 and 121, respectively;*

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

Electricity

Electricity is one of the Group's most consumed resource as it has been widely adopted to support daily business operation. In 2022, the total electricity consumption of the Group and the intensity per employee decreased by 9.78% and increased by 4.38% respectively as compared to the figure in 2021. The above phenomenon and sparsity of nature resources, the Group draws attention in working on energy saving and promoting various energy conservation strategies. The Group required all business units of the Group, especially the Singapore branch, strictly follow relevant regulations and the Group's standards of electricity conservation so to support green initiatives in daily operation and incorporating environmental sustainability. The Group has embedded the concept of 'Saving Electricity' into its environmental management system and business strategies, as well as actively adopted different feasible measure and implementation on technical and economic circumstances to work on the aims of lowering the electricity consumption in which beneficial to diminish its GHG emissions. Chiefly of reducing electricity usage, the Group implemented the following practices:

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

Petrol and diesel

To help support daily business activities, the Group widely consumed petrol and diesel for its vehicles. In 2022, the energy consumption of petrol and diesel amounted to 63,370 kWh and 317,600 kWh respectively. It leads to a decrease of 53.78% and increase of 39.40% respectively when compared with the figure in 2021. Employees are reminded and encouraged to follow the energy saving measures. The Group will continuously assess the efficiency of resource utilization and evaluate the energy saving initiatives to uphold the core value of environmental protection.

Water

Water is another natural resource which the Group commonly uses for daily operations. The Group has worked hard to reduce wastage of water in previous years and considered water management an important task in the business operations of the Group currently. In 2022, the Group did not face any issues in sourcing water. The total water consumption decreased by approximately 19.15% as compared to the figure in 2021. Although there were no water supply issues encountered, the Group has also shouldered the responsibilities of sustainable development and environmental protection towards the aspect of water resources utilisation. To avoid unnecessary water consumption in daily operations, the Group has fully complied with its policy of water conservation in businesses through instilling the concept of 'Water Footprint' in its employees from all business departments and motivating them to take initiative in nourishing environmental friendly behaviour in saving water. Besides, the Group continued to monitor water consumption level and applied measures to ensure stable use of water resources. For further improvement on utilisation efficiency of water resources, the Group adopted the following practices during the Reporting Period:

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

Paper

Since the use of paper has been a critical source of carbon emission in society, the Group attached importance on lowering the drawback to the environment, especially the climate change due to imprudent usage of paper material. Paper was mainly consumed by the Group for offices with administrative purpose, such as paper printing, drafting documents. In 2022, the total amount of paper used by the Group was 0.45 tonnes, it was barely change compared with the figure in 2021. The Group will further implement effective control of paper resources and encourage the Group's policy of using electronic copies in every possible means instead of issuing paper materials. Meanwhile, the Group will take measure of paper use seriously by highly advocating the reuse and recycling of waste paper for the Group's operational activities. During the Reporting Period, the Group successfully recycled approximately 2 kg of paper usage in Singapore and 33 kg of paper usage in headquarter. In the future, the Group commits to further reduce the generation of waste paper through the following measures:

- Reuse the paper which has been used on one side only for scrap paper;
- Make two-sided copies;
- Promote the concept of 'paperless office', and disseminate information by electronic means to minimise the number of paper-made files;
- Install recycling bins to collect recyclables, such as paper and plastic waste;
- Put boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Periodically review the implementation of paper-saving policies in the Group and set targets for the procurement and recycling of paper accordingly.

Packaging Materials

In 2022, the Group consumed approximately 300 kg of plastic packaging materials, an increase of 50% compared to the plastic usage in 2021. The Group is committed to optimising its material management system through estimating, measuring, recording and comparing the quantity of used packaging materials in years on a continuous basis and to monitor the usage of minimum packing size to achieve the objective of reducing overall packaging material consumption.

A.3. The Environment and Natural Resources

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

Regarding the top priority of impacts towards Group's business, fuel consumption used for the operations of constructional machineries, which not only have drawn the Group's attention, but also necessitates an urgent action taken by the Group to tackle the problems as it results in air emissions and brings negative influence towards environment. In 2022, the Group focuses on near-term technology investments on reducing both costs and emissions where feasible, benchmarking the best practice in the market that reduce, reuse and recycle the waste in a proper manner. Besides, the Group opts to putting efforts on the optimization of operational system and engines maintenance in order to lower environmental impact and avoid fuel wastage and other negative influence.

Regarding the reliance on petrol and diesel for operations at construction sites, the Group kept announcing new procurement policies to improve the standards of equipment safety, duration and energy efficiency implemented. As a socially responsible organization, the Group will continuously improve fuel efficiency in operations and move towards lower carbon alternatives by closely monitoring the latest market updates and developments. Moving forward, the Group will spend efforts to fulfil its environmental responsibilities, align its internal sustainability goals with the targets, grasp technological innovations as a positive thrust for the advancement towards sustainability, and take actions as part of our sustainable growth strategy.

A.4. Climate Change

Climate change mainly caused by the release of CO2 into the atmosphere, resulting from the use of fossil fuels for energy and electricity generation. Climate change has become one of the global environmental concerns nowadays as it causes a continuous rise in temperature and poses threats on scarcity of raw material. Climate-related issues which may impact our business mostly came from acute physical risks, especially weather-related events such as typhoons and storms that may impact our operation in Hong Kong and Shenzhen.

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

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

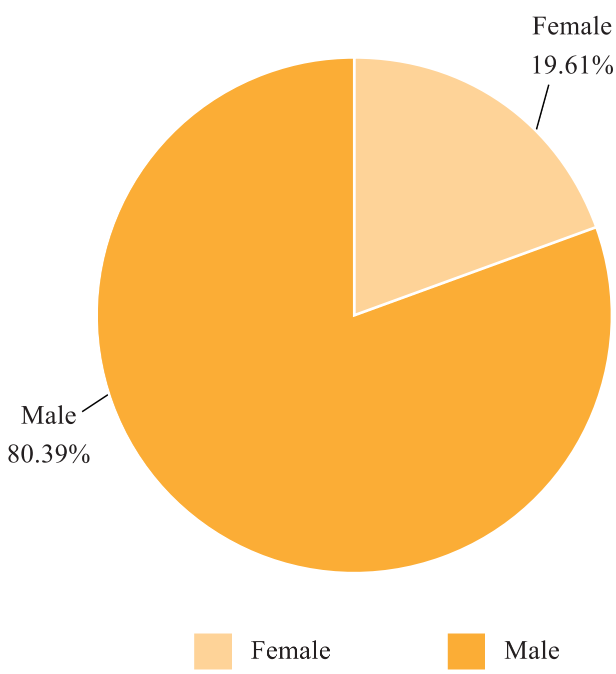
B.1. Employment

The Group strongly believes that the success of a company highly relies on the contribution and support from employees. A good use of human resources could lead sustainable development and bring bright future to the Group. It is the Group's objective to nurture an inclusive and harmonious working environment. The Group treats employees as their most valuable treasure and strives to provide its employees with a safe and respectful platform for gaining professional knowledge, developing vocational career and living a fulfilling life. The Group has also provided a wide range of fringe benefits such as sick leave, annual leave and medical insurance in accordance with the local laws and Employment Ordinance. As of 31 December 2022, the Group had 102 employees in which 101 employees are full-time staff with permanent employment term and one employee in Hong Kong is a part-time staff. During the reporting period, the Group decreased the size of workforce by 13.56% compared with the previous year. The total workforce of employee by (i) gender, (ii) age group and (iii) geographical region are presented in the table below:

(i) Total workforce of employee by gender

Total workforce of employee by gender	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
Male	82 (80.39%)	94 (79.66%)	–12.77%
Female	20 (19.61%)	24 (20.34%)	–16.67%

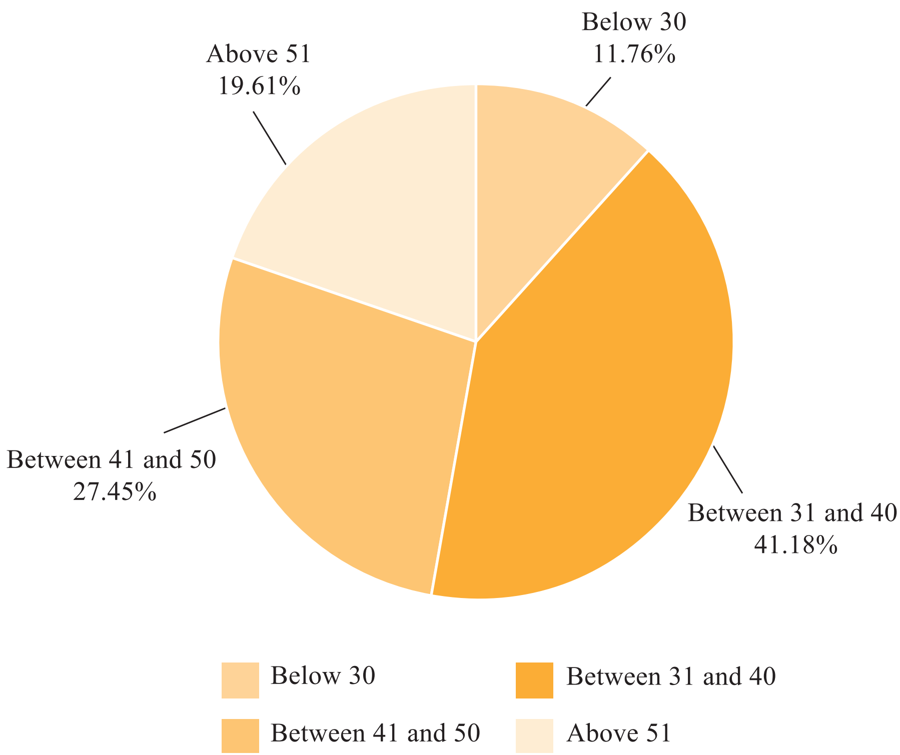
Chart 1 Total Workforce of the Group by gender in 2022



(ii) Total workforce of employee by age

Total workforce of employee by age	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
Below 30	12 (11.76%)	25 (21.19%)	–52.00%
Between 31 and 40	42 (41.18%)	46 (38.98%)	–8.70%
Between 41 and 50	28 (27.45%)	29 (24.58%)	–3.45%
Above 51	20 (19.61%)	18 (15.25%)	+11.11%

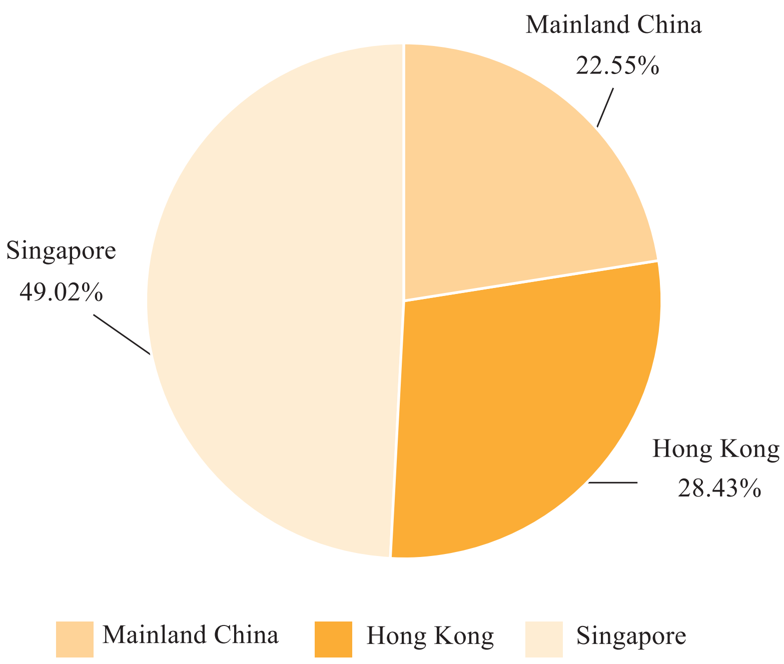
Chart 2 Total Workforce of the Group by Age Group in 2022



(iii) Total workforce of the employee by geographical region:

Total workforce of employee by geographical region	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
Mainland China	23 (22.55%)	16 (13.56%)	–7.25%
Hong Kong	29 (28.43%)	55 (46.61%)	–52.59%
Singapore	50 (49.02%)	47 (49.83%)	–6.00%

Chart 3 Total Workforce of the Group by Geographical Region in 2022



Law Compliance

The Group is not aware of any material non-compliance with the Employment Ordinance, Employees' Compensation Ordinance and other applicable laws and regulations that have significant impact regarding the compensation and dismissal, recruitment and promotion, working hours, equal opportunity and other benefits and welfare on the Group during reporting period. There is no violation on compliance with law that resulting in significant fines or sanctions which reported in 2022. The Group updates and adjusts the term in employment policies and staff handbook periodically for the aim of satisfying the desire of market and those acts are incepted and abide by the statutory laws and regulations in Hong Kong, the PRC and Singapore. During the Reporting Period, the Group complied with the applicable laws and regulations, including but not limited to the

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

Recruitment, promotion, and dismissal

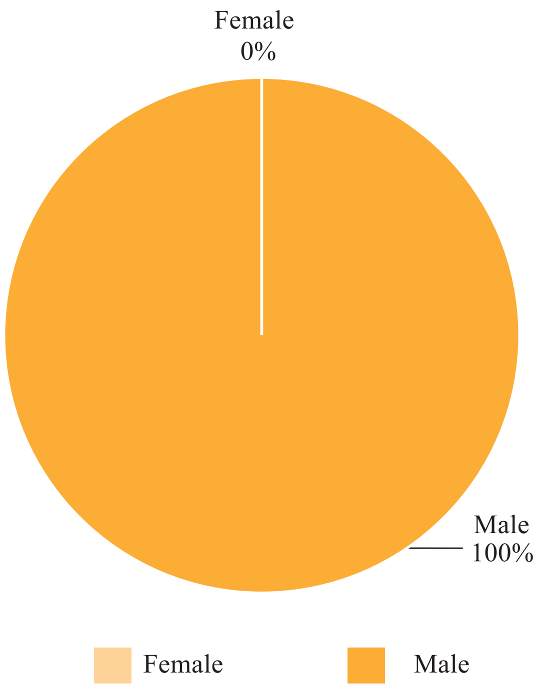
The Group has adopted a set of clear procedures regulated in 'Personnel Recruitment Plan', in its general and campus recruitment. The recruitment of the Group is fair and open for all employees. The selection processes are not affected by age, gender, physical and mental health status, or nationality. To attract high-calibre candidates, employees are compensated by fair and competitive remuneration and benefit packages based on individuals' educational background, personal attributes, job experiences, and career aspirations. To motivate newcomers and employees' interest in the positions and further contribute to the Group as well as accomplishing the tasks assigned efficiently, the Group offers promotion and development opportunities for employees with outstanding performance through an open and fair assessment system to explore employees' capability. Performance reviews are conducted annually to evaluate their achievements, work, and skills. Employees are rewarded for their contribution and work performance via salary review and promotion consideration. The Group aims to encourage and reward staff working contribution and their hard work by assisting them in their future career development and promotion with the Group. During the Reporting Period, the Group's overall employee turnover rate was approximately 8%. In cases of dismissal, the procedures are in compliance with statutory requirements. The Group observes turnover rate with a view to continuously enhance human resources management.

During the Reporting Period, the Group's overall employee turnover rate was approximately 8.82% (2021: 12.00%). The employee turnover rate by (i) gender, (ii) age group and (iii) geographical region are presented in the table below:

(i) Total turnover rate of employee by gender

Total turnover rate of employee by gender	2022 The number of turnover employee	2022 Turnover rate	2021 The number of turnover employee	2021 Turnover rate	Amount Increase (+) or Decrease (-) in Percentage (Turnover rate)
Male	9 (100.00%)	10.98%	12 (86%)	12.77%	–14.02%
Female	0 (0.00%)	0%	2 (14%)	8.33%	–100.00%

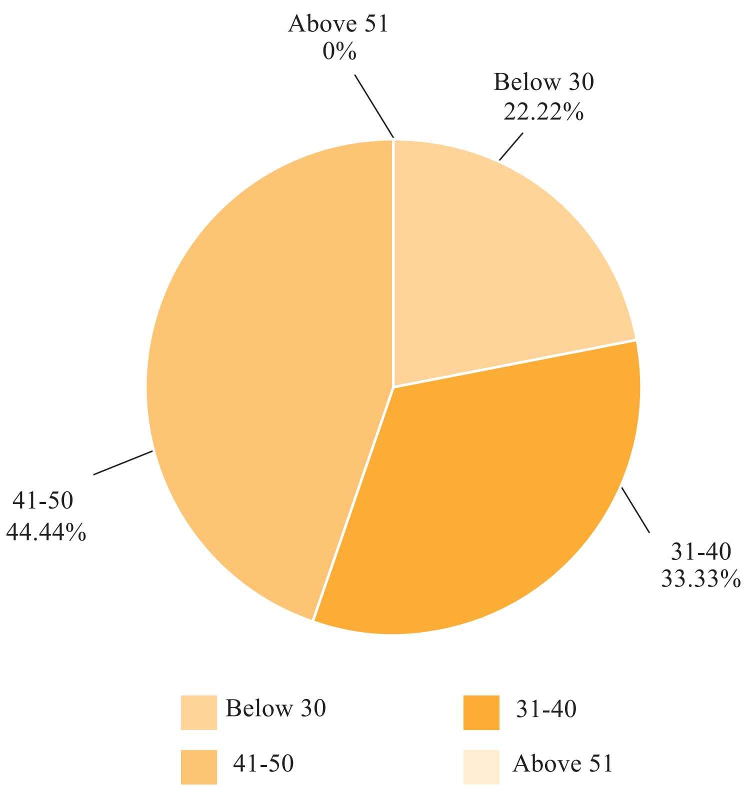
Chart 4 Total Turnover of the Group by gender in 2022



(ii) Total Turnover rate of employee by age group

Total turnover rate of employee by age	2022 The number of turnover employee	Turnover rate	2021 The number of turnover employee	Turnover rate	Amount Increase (+) or Decrease (-) in Percentage (Turnover rate)
Below 30	2 (22.22%)	16.67%	3 (21.43%)	12.00%	+38.89%
Between 31 and 40	3 (33.33%)	7.14%	8 (57.14%)	17.39%	–58.93%
Between 41 and 50	4 (44.44%)	14.29%	3 (21.43%)	10.34%	+38.10%
Above 51	–	–	–	–	–

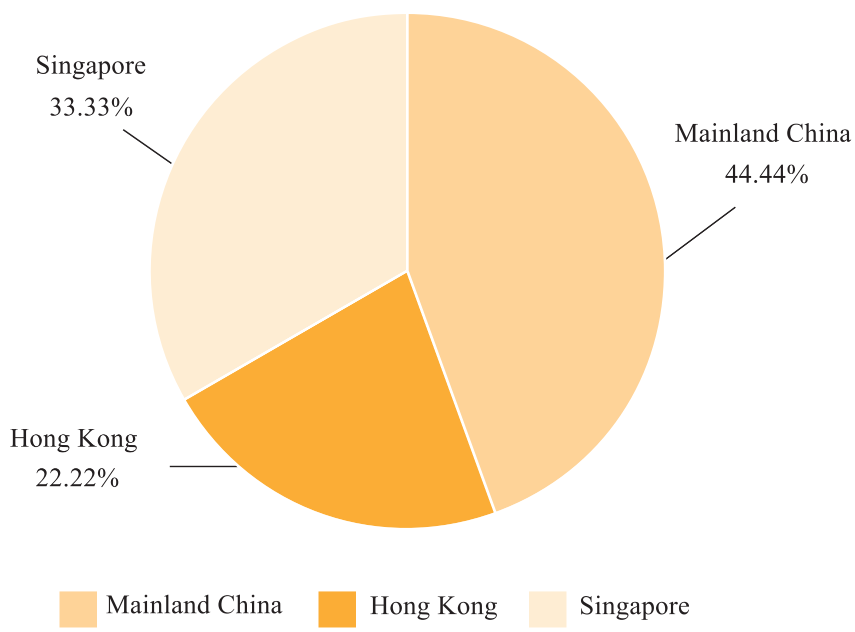
Chart 5 Total Turnover of the Group by Age Group in 2022



(iii) Total turnover rate of employee by geographical region

	2022		2021		Amount Increase (+) or Decrease (-)
Total turnover rate of employee by geographical region	The number of turnover employee	Turnover rate	The number of turnover employee	Turnover rate	in Percentage (Turnover rate)
Mainland China	4 (44.44%)	17.39%	3 (21.43%)	18.75%	–7.25%
Hong Kong	2 (22.22%)	6.90%	8 (57.14%)	14.55%	–52.59%
Singapore	3 (33.33%)	6.00%	3 (21.43%)	6.38%	–6.00%

Chart 6 Total Turnover of the Group by Geographical Region in 2022



Working hours and rest periods

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

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

Equal opportunity and anti-discrimination

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

During the Reporting Period, the Group has encountered no complaints regarding to unequal affair received from the Group. The Group is keen to create a fair and open competing environment, that of equal opportunities are provided to our employees regardless of their nationality, age, family status, race, etc.

Other benefits and welfare

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

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

B.2. Health and Safety

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

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法);
- Regulation on Work-Related Injury Insurance (工傷保險條例);
- Work Injury Compensation Act (Singapore); and
- Workplace Safety and Health (WSH) Act (Singapore).

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

The Group believes that preventive measure is more essential than reactive measures. To prevent work injury and enhance safety awareness, different business segments of the Group have also implemented specific policies in the OH&S management. The Group arranges regular maintenance on machinery and equipment used in workplace so to ensure all machineries are in good condition and minimize accidents during operation. Besides, the Group emphasises work safety training issues among employees. For example, licensed workers in Hong Kong are required to complete compulsory Occupational Safety and Health courses provided by the Construction Industry Council and obtain the qualification or renew safety card so to confirm that they are familiar with the operations and have the knowledge on occupational safety when working in construction sites. To safeguard personal safety, employees working in sites are required to equip with sufficient protection for their work, such as wearing safety belts and safety hat when working at height. Thus, the incidents occurred from work will be eliminated. In accordance with the Safety Management Framework, different departments are responsible for specific duties to abate the occupational health and safety risks. For instance, warehouse manager holds responsibility for warehouse works; Workshop and onsite R&M issues are managed by R&M (Repair and Maintenance); Passenger Hoist team is formed for monitoring service work regarding the passenger hoist. Furthermore, the Group also pays attention on the details in its EHS (Environment, Health and Safety) management for better inspecting and enhancing the environment, health and safety related facilities. Internal staff conducts periodical inspection, maintenance and replacement on all fire equipment in which helps to mitigate the risk of unexpected accidents and worker injury. The subsidiary of the Group in Singapore, which was ISO 45001 certified, was awarded the 'BizSafe Star' certification from the Workplace Safety and Health Council.

Although the Group is pleased to announce that there are no work-related fatalities occurred in past three years, we recorded 49 lost days (2021 had 122 lost days) due to work injury (after deduction of the public holiday) in the Reporting Period. The Group will strive to enhance our protective measures to minimise the incidents and alleviate the impact on our operation.

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

B.3. Development and Training

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

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

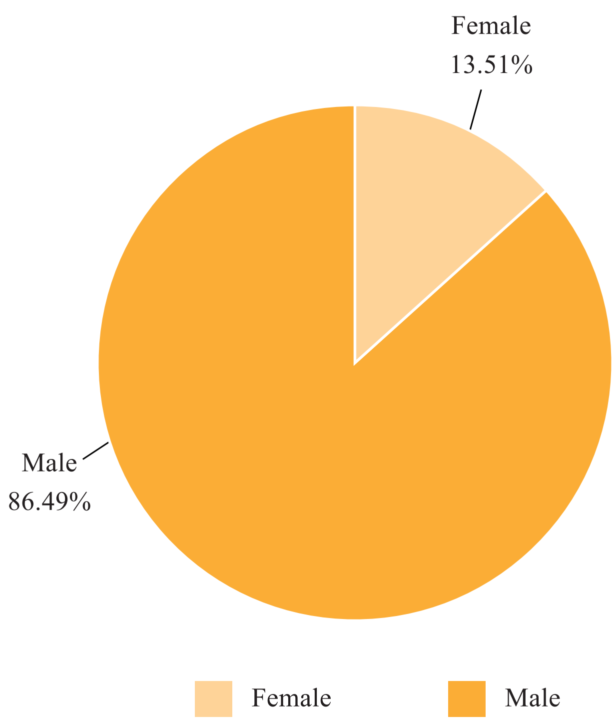
Moreover, the Group also highly encourage employees to further enhance their professional skills and meet the needs of the Group's development goal by signing up for relevant qualification examinations and external training as skilful employees can lead better development to the Group. In the Reporting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

In the Reporting Period, there were a total of 74 out of 102 employees or 73% of employees who took a range of training courses organised either by the Group internally or external organisations such as Construction Industry Council, Hong Kong Institute of Construction and Vocational Training Council, and the training time of all participants amounted to 569 hours in total and the average training hours per employee was 5.58. The charts below show the percentage of employees trained by (i) gender and (ii) employee category.

(i) Total number of employees trained by gender:

Total number of employee trained by gender	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
Male	64 (86.49%)	83 (84.69%)	+2.12%
Female	10 (13.51%)	15 (15.31%)	–11.71%

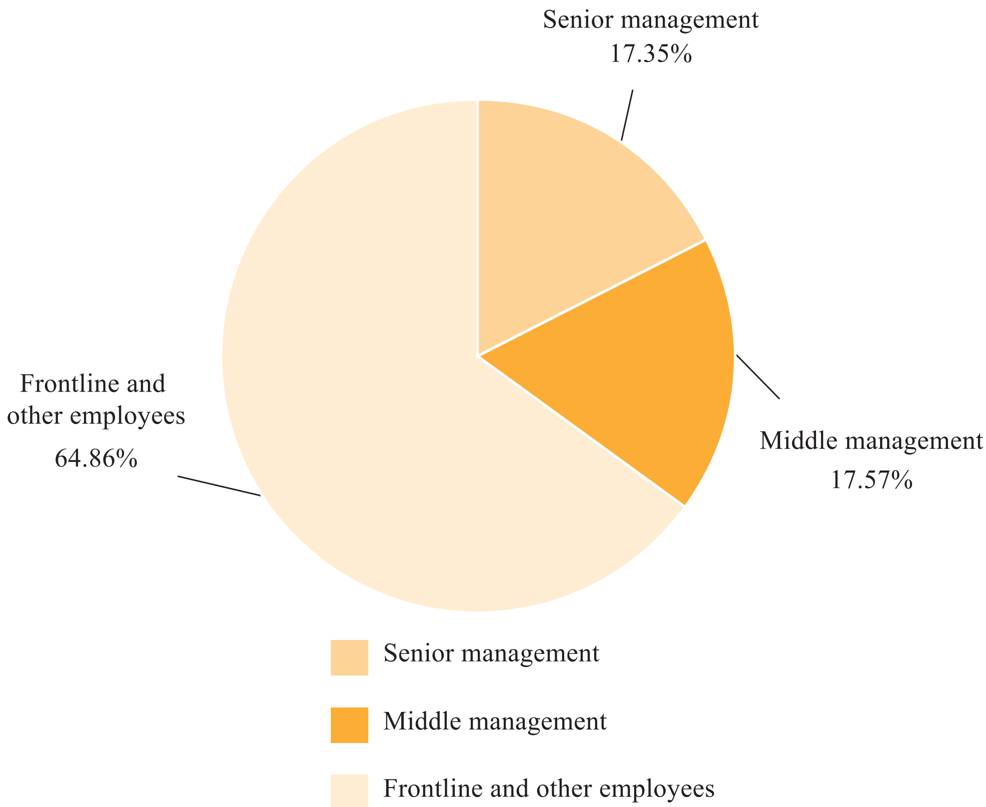
Chart 7 Percentage of employee trained by gender in 2022



(ii) Total number of employees trained by employee category:

Total number of employee trained by employee category	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
Senior management	13 (17.57%)	7 (7.14%)	+145.95%
Middle management	13 (17.57%)	14 (14.29%)	+22.97%
Frontline and other employees	48 (64.86%)	77 (78.57%)	–17.44%

Chart 8 Percentage of employee trained by employee category in 2022



The average training hours completed per employee by (iii) gender and (iv) employee category

Average training hours completed per employee by gender and employee category in 2022

Average training hours completed per employee by gender and employee category	Unit	2022	2021	Amount Increase (+) or Decrease (-) in Percentage
By gender				
Male	Hours	6.00	6.86	–12.56%
Female	Hours	3.85	2.58	+49.03%
By employee category				
Senior Management	Hours	6.36	3.46	+83.65%
Middle management	Hours	4.40	2.67	+65.00%
Frontline and other employees	Hours	5.67	7.06	–19.64%

B.4. Labour Standards

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

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

OPERATING PRACTICES

B.5. Supply Chain Management

To fulfill environmental and social responsibility, the Group has put efforts to manage business operations including supply chain management by committing to develop and maintain effective and mutually beneficial business relationships with different business partners. As of 31 December 2022, the Group had 140 suppliers (2021 had 195 suppliers) in total where Singapore, PRC, Hong Kong and Korea had 81, 38, 20 and 1 suppliers respectively. The Group keeps an effective engagement with all its suppliers. The booming supply base and sound relationship with suppliers are essential to meet demand in the high volume market. As a socially responsible enterprise, the Group ensures business sustainability and managing operating costs through playing a role in every stage of its products and services throughout its life cycle, and maintain proper management of the supply chain keep the Group's reputation.

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

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

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

B.6. Product Responsibility

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

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

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

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

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

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

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

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

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

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

B.7. Anti-corruption

The Group is committed to upholding high standards of business ethics and integrity in the conduct of the Group's business and operations. Honesty, integrity and fair play are important elements in the Group's business. The Group adopts a zero-tolerance approach for bribery, extortion, fraud and money laundering. Employees at all levels such as Directors, management personnel, staff members are required to manage themselves with integrity imparity and honesty. In order to maintain a fair, ethical and efficient working environment, the Group strictly follow the local laws and regulations relating to anti-corruption and bribery in 2022, including but not limited to the:

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

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

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

The Group emphasizes raising the awareness of employees regarding anti-corruption. During the reporting period, the Group held an internal anti-corruption training to director and employees. The duration of the training was 1.5 hours and the participates were 1 director and 7 staffs.

In 2022, the Group complied with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that bringing a significant impact on the Group. Organisational structures and policies in the Group are in place to insist a high standard of corporate governance and maintain an ethical corporate culture. During the Reporting Period, no concluded legal case concerned corrupt practices brought against the Group or our employees.

B.8. Community Investment

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

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

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

bakertilly
天職國際

TO THE SHAREHOLDERS OF KAISA CAPITAL INVESTMENT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Capital Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 162, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, 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.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matters	How the matter was addressed in our audit
Valuation of properties under development	
As at 31 December 2022, the Group had properties under development ("properties") amounting to approximately HK$133,630,000, which represented approximately 24% of the total assets of the Group. Given the significant balance of the properties and involvement of critical accounting estimates, the impairment assessment of the properties is considered a key audit matter. The properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of the properties with reference to the estimated selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, no impairment is provided for the year ended 31 December 2022.	Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) evaluating the reasonableness of the estimated future costs to completion, on a sample basis, based on the actual development costs incurred and the completion status of the properties of the Group with the adjustments, taking into account the current market data and the past history of the similar projects; (ii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iii) testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions and the respective adjustment factors. We compared the estimated selling price to the recent market transactions by reference to the prevailing market price of the comparable properties with similar type, size and location and challenged the reasonableness of the adjustment factors adopted.

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th>The Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of trade receivables</td></tr>
<tr><td>We identified expected credit losses ("ECL") assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the ECL of the Group's trade receivables at the end of the reporting period.

As disclosed in notes 5 and 40(b) to the consolidated financial statements, the management of the Group identified debtors that are credit-impaired, of which the ECL are assessed individually. The remaining amounts are assessed on collective basis through grouping of various debtors that have similar loss patterns based on the comparable probability of default and recovery rate quoted from international credit-rating agencies.

At 31 December 2022, the carrying amount of trade receivables is approximately HK$53,603,000 as set out in note 22 and 40(b) to the consolidated financial statements.</td><td>Our audit procedures in relation to the valuation of trade receivables included:

(i) obtaining an understanding of how the ECL allowances for trade receivables is estimated by management;

(ii) evaluating the competence, capabilities and objectivity of the independent professional valuer ("Valuer");

(iii) discussing with the Valuer and obtained the independent ECL valuation report to reassess the ECL allowances for trade receivables;

(iv) Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2022, including their identification of trade receivables which are assessed for ECL individually, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and

(v) testing the aging analysis of trade receivables, on a sample basis, to the source documents including goods delivery notes (for machinery sales), lease commencement slips and sales invoices.</td></tr>
</table>

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another independent auditor whose report dated 29 March 2022 expressed a qualified opinion with material uncertainties related to going concern on those consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 March 2023

Del Rosario, Faith Corazon
Practising Certificate Number P06143

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	8	200,168	214,744
Cost of sales and services		(74,036)	(80,336)
Gross profit		126,132	134,408
Other income and gains	9	6,145	7,719
Selling and distribution expenses		(2,565)	(2,556)
Administrative expenses		(47,450)	(57,222)
Other operating expenses	10	(66,169)	(65,013)
Finance costs	11	(10,467)	(10,287)
Profit before income tax	12	5,626	7,049
Income tax expense	13	(447)	(3,039)
Profit for the year		5,179	4,010
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(316)	950
Total comprehensive income for the year		4,863	4,960
Profit/(loss) for the year attributable to:			
– Owners of the Company		5,179	4,478
– Non-controlling interests		–	(468)
		5,179	4,010
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		4,863	5,428
– Non-controlling interests		–	(468)
		4,863	4,960
Earnings per share			
– Basic and diluted (HK cents)	15	0.49	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*17*	**206,043**	187,634
Right-of-use assets	*18*	**89,994**	105,154
Intangible assets	*19*	**1,511**	3,432
Deferred tax assets	*30*	**101**	101
Deposit	*23*	**–**	164
		297,649	296,485
Current assets			
Properties under development	*20*	**133,630**	115,938
Inventories and consumables	*21*	**18,701**	10,249
Trade receivables	*22*	**53,603**	88,658
Prepayments, deposits and other receivables	*23*	**17,521**	11,950
Tax recoverable		**–**	380
Cash and cash equivalents	*24*	**38,442**	26,356
		261,897	253,531
Current liabilities			
Trade payables	*25*	**77,613**	61,703
Receipt in advance, accruals and other payables	*26*	**109,227**	83,654
Contract liabilities	*26*	**15,910**	3,840
Borrowings	*27*	**20,378**	15,735
Other loans	*28*	**83,000**	83,000
Lease liabilities	*29*	**25,763**	37,161
Tax payable		**4,133**	2,093
		336,024	287,186
Net current liabilities		**(74,127)**	(33,655)
Total assets less current liabilities		**223,522**	262,830

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Borrowings	*27*	33,435	90,813
Lease liabilities	*29*	51,438	37,584
Deferred tax liabilities	*30*	1,550	2,197
		86,423	130,594
Net assets		137,099	132,236
EQUITY			
Share capital	*31*	10,600	10,600
Reserves	*32*	126,499	121,636
Total equity		137,099	132,236

The consolidated financial statements on pages 73 to 162 were approved and authorised for issue by the directors of the Company on 29 March 2023 and are signed on its behalf by:

Zheng Wei
Executive Director

Lee Kin Ping Gigi
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2021	10,600	346,824	2,378	120,985	17,537	5,792	(377,308)	126,808	468	127,276
Profit/(loss) for the year	–	–	–	–	–	–	4,478	4,478	(468)	4,010
Exchange difference on translating foreign operations	–	–	–	–	–	950	–	950	–	950
Total comprehensive income for the year	–	–	–	–	–	950	4,478	5,428	(468)	4,960
Transfer to statutory reserve	–	–	779	–	–	–	(779)	–	–	–
Balance at 31 December 2021 and 1 January 2022	10,600	346,824	3,157	120,985	17,537	6,742	(373,609)	132,236	–	132,236
Profit for the year	–	–	–	–	–	–	5,179	5,179	–	5,179
Exchange difference on translating foreign operations	–	–	–	–	–	(316)	–	(316)	–	(316)
Total comprehensive income for the year	–	–	–	–	–	(316)	5,179	4,863	–	4,863
Transfer to statutory reserve	–	–	302	–	–	–	(302)	–	–	–
Balance at 31 December 2022	10,600	346,824	3,459	120,985	17,537	6,426	(368,732)	137,099	–	137,099

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Profit before income tax		5,626	7,049
Adjustments for:			
Bank interest income	9	(6)	(4)
Bond investment income	9	–	(4,129)
Bond dividend income	9	–	(2,080)
Gain on disposal of property, plant and equipment	9	–	(37)
(Reversal of provision for)/impairment loss on trade receivables, net	12	(706)	1,729
Write-off of trade receivables	12	1,125	–
Depreciation of property, plant and equipment	12	38,337	33,863
Depreciation of right-of-use assets	12	25,911	29,367
Write-off of property, plant and equipment	12	78	437
Provision/(reversal of provision) for inventories, net	12	207	(22)
Amortisation of intangible assets	12	1,921	1,783
Interest expenses	11	10,467	10,287
Operating profit before working capital changes		82,960	78,243
Increase in properties under development		(17,692)	(20,340)
(Increase)/decrease in inventories and consumables		(8,043)	4,722
Decrease/(increase) in trade receivables		34,636	(25,888)
Increase in prepayments, deposits and other receivables		(7,410)	(57)
Increase in trade payables		15,910	3,016
Increase in receipt in advance, accruals and other payables		22,761	18,268
Increase/(decrease) in contract liabilities		12,070	(880)
Cash generated from operations		135,192	57,084
Income tax paid		(12)	(1,766)
Net cash generated from operating activities		135,180	55,318

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Interest received		6	4
Proceeds from disposal of bonds		–	56,795
Purchase of bonds		–	(52,666)
Bond dividend income		–	2,080
Purchase of property, plant and equipment		(31,643)	(88,745)
Proceeds from disposal of property, plant and equipment and right-of-use assets		1,021	2,927
Acquisition of subsidiary, net of cash acquired		–	(2,749)
Net cash used in investing activities		(30,616)	(82,354)
Cash flows from financing activities			
Interest on borrowings	*37(b)*	(2,921)	(2,424)
Repayment of lease liabilities	*37(b)*	(37,624)	(6,555)
Interest element of lease rentals paid	*37(b)*	(3,396)	(3,697)
Repayment of borrowings	*37(b)*	(66,943)	(11,180)
Proceeds from borrowings	*37(b)*	18,207	44,357
Net cash (used in)/generated from financing activities		(92,677)	20,501
Net increase/(decrease) in cash and cash equivalents		11,887	(6,535)
Cash and cash equivalents at the beginning of year		26,356	29,953
Effect of exchange rates changes on cash and cash equivalents		199	2,938
Cash and cash equivalents at the end of year	*24*	38,442	26,356

1. GENERAL

Kaisa Capital Investment Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong was changed from No. 3610, 36/F., The Center, 99 Queen's Road Central, Central, Hong Kong to Room 1901, 19/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong during the year. The Company is an investment company and its subsidiaries (collectively known as the "Group") are principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery ("Construction Equipment Business") and (ii) property development ("Property Development Business").

The principal activities of the subsidiaries are described in note 35.

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

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

As of 31 December 2022, the Group had net current liabilities of approximately HK$74,127,000 and accumulated losses of approximately HK$368,732,000. As at 31 December 2022, the Group's total borrowings comprising borrowings and other loans amounting to approximately HK$136,813,000, of which current borrowings amounting to approximately HK$103,378,000, while its cash and cash equivalents amounting to approximately HK$38,442,000.

The directors of the Company (the "Directors") consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2022, on the basis that financial support is obtained from a former substantial shareholder of the Company for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$27,575,000 respectively as at 31 December 2022 in the next coming twelve months from the date of this report.

2. BASIS OF PREPARATION *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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

2.2 Functional and presentation currencies

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

3. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the board of Directors (the "Board") on 29 March 2023.

4. APPLICATION OF AMENDMENTS TO HKFRSs

4.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

5.2 Subsidiaries

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.3 Property, plant and equipment

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

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

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

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

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

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

5.4 Intangible assets (other than goodwill)

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

Construction licenses	3 years

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Leases

(a) The Group as a lessee

Definition of a lease

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Leases *(Continued)*

(a) The Group as a lessee *(Continued)*

Definition of a lease *(Continued)*

Measurement and recognition of leases as a lessee

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

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

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

The Group remeasures lease liabilities whenever:

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Leases *(Continued)*

(a) The Group as a lessee *(Continued)*

Definition of a lease *(Continued)*

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

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

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

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

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

(b) The Group as a lessor

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

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

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

The Group sub-leases its plant and machinery and the sub-lease contracts are classified as operating leases.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments

Financial assets

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

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

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

Debt instruments

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Debt instruments *(Continued)*

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

Impairment loss on financial assets

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

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

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

Significant increase in credit risk

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

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

Definition of default

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

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

Credit-impaired financial assets

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

Credit-impaired financial assets (Continued)

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

– significant financial difficulties of the issuer or the borrower;

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

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

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

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

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

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

Write-off policy

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

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

Financial liabilities

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Financial Instruments *(Continued)*

Financial liabilities *(Continued)*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Bank borrowings

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

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

Other financial liabilities

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

Effective interest method

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

Derecognition

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Inventories and consumables

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

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

5.8 Cash and cash equivalents

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

5.9 Properties under development

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is net of value added tax or other sales taxes, if any.

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

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

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

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

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

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

Under HKFRS 15, revenue from sales of machinery and spare parts is recognised at a point in time upon delivery and there is no unfulfilling performance obligation after the acceptance of goods. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Revenue from service is recognised over time using an input method to measure progress towards complete satisfaction of the service.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.10 Revenue recognition *(Continued)*

The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services. Services income of the Group mainly represents service derived from including erection, climbing and dismantling of tower cranes. The services period is, in general, ranging from 1 to 14 days or based on the requirements of the services provided.

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

5.11 Income taxes

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before income 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.

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.11 Income taxes *(Continued)*

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

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

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

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

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

– the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.12 Foreign currency

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.12 Foreign currency *(Continued)*

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

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

5.13 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.13 Employee benefits *(Continued)*

Short-term employee benefits

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

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

5.14 Share-based payments

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.15 Impairment of non-financial assets

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

– Property, plant and equipment under cost model;

– Right-of-use assets;

– Investments in subsidiaries of the Company; and

– Intangible assets.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 impairment loss is treated as a revaluation decrease under that standard.

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

5.16 Capitalisation of borrowing costs

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

5.17 Government grants

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.18 Provisions and contingent liabilities

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

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

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

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contracts includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

5.19 Contract liabilities

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

5.20 Share capital and share premium

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

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

5.21 Segment reporting

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.21 Segment reporting *(Continued)*

The Group has identified the following reportable segments:

– Hong Kong

– Singapore

– PRC

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

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

– Interests on other loans

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.22 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

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

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

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

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

6.1 Useful life of property, plant and equipment

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

6.2 Allowance for slow-moving inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write down on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write downs require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write down of inventories in the periods in which such estimate has been changed.

6.3 Loss allowance for trade and other receivables

Trade receivables that are credit-impaired are assessed for ECL individually. In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the comparable probability of default and recovery rate quoted from international credit-rating agencies. The management of the Group estimates the amount of lifetime ECL of trade receivables based on collective assessment through grouping of various debtors that have similar loss patterns. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 22 and 40(b).

6.4 Estimated net realisable value on properties under development

In determining whether write down should be made to the Group's properties under development, the Group determined the net realisable values of the properties under development by reference to the estimated selling price less estimated costs to completion of the properties and costs necessary to make the sale. The future selling prices are estimated by reference to the recent selling prices of similar properties in relevant locations. In addition, the management estimated the future costs to complete the properties under development by reference to the actual development costs incurred and the completion status. If the actual net realisable values on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material write down may result. As at 31 December 2022, the carrying amount of properties under development was approximately HK$133,630,000 (2021: approximately HK$115,938,000).

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

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

The Group assesses whether there are any indicators of impairment or reversal of impairment for non-financial assets amounting to approximately HK$297,548,000 as at 31 December 2022 (2021: approximately HK$296,220,000). Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for differences in condition in order to determine the fair value. No impairment loss was made for non-financial assets for the year ended 31 December 2022 and 2021.

7. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For management purpose, the Group is currently organised into two operating divisions as follows:

a. Construction Equipment Business

b. Property Development Business

These operating divisions are the basis of internal reports about components which are regularly reviewed by CODM, the executive directors of the Company, for the purpose of resources allocation and assessing their performance. Each of the operating division represents an operating segment and reporting segment.

7. SEGMENT INFORMATION *(Continued)*

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

	Construction Equipment Business					Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
Year ended 31 December 2022							
Revenue							
From external customers	37,625	87,284	75,259	–	200,168	–	200,168
From inter segment	34,022	–	–	(34,022)	–	–	–
Reportable segment revenue	71,647	87,284	75,259	(34,022)	200,168	–	200,168
Reportable segment profit/(loss)	13,351	(707)	2,151	–	14,795	–	14,795
Interest on other loans							(4,150)
Unallocated corporate expenses							
– Corporate staff costs							(3,678)
– Others							(1,788)
Profit for the year							5,179

7. SEGMENT INFORMATION *(Continued)*

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

	Construction Equipment Business				Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	PRC HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
Year ended 31 December 2022						
Other reportable segment information						
Interest income	–	–	6	6	–	6
Interest expenses	(872)	(2,670)	(2,775)	(6,317)	–	(6,317)
Depreciation of non-financial assets	(17,187)	(28,081)	(18,980)	(64,248)	–	(64,248)
Amortisation of intangible assets	(825)	–	(1,096)	(1,921)	–	(1,921)
Write-off of property, plant and equipment	(78)	–	–	(78)	–	(78)
Income tax credit/(expenses)	647	–	(1,094)	(447)	–	(447)
Additions to non-current segment assets during the year	24,264	21,235	28,512	74,011	–	74,011

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

7. SEGMENT INFORMATION *(Continued)*

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

	Construction Equipment Business						Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
Year ended 31 December 2021								
Other reportable segment information								
Interest income	–	–	–	–	4	4	–	4
Interest expenses	(1,482)	(2,433)	–	–	(2,222)	(6,137)	–	(6,137)
Depreciation of non-financial assets	(17,515)	(26,600)	–	–	(19,115)	(63,230)	–	(63,230)
Amortisation of intangible assets	(687)	–	–	–	(1,096)	(1,783)	–	(1,783)
Gain on disposal of property, plant and equipment	37	–	–	–	–	37	–	37
Write-off of property, plant and equipment	–	(437)	–	–	–	(437)	–	(437)
Income tax expense	(332)	–	–	–	(2,707)	(3,039)	–	(3,039)
Additions to non-current segment assets during the year	16,465	36,997	–	–	43,671	97,133	–	97,133

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 5. Segment results represent the results of each segment without allocation of corporate items, including emoluments of certain corporate expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

7. SEGMENT INFORMATION *(Continued)*

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

	Construction Equipment Business					Property Development Business	
	Hong Kong HK$'000	Singapore HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	Total HK$'000
At 31 December 2022							
Reportable segment assets	98,208	220,794	108,456	(3,191)	424,267	133,723	557,990
Other unallocated segment assets							1,556
Total assets							559,546
Reportable segment liabilities	61,199	82,142	164,259	–	307,600	2,911	310,511
Other loans							83,000
Other unallocated segment liabilities							28,936
Total liabilities							422,447

7. SEGMENT INFORMATION *(Continued)*

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

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

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

- all assets are allocated to operating segments except for certain property, plant and equipment, certain right-of-use assets, certain prepayment, deposits and other receivables and certain cash and cash equivalents; and

- all liabilities are allocated to operating segments except for certain receipt in advance, accruals and other payables, certain borrowings, other loans and certain lease liabilities.

7. SEGMENT INFORMATION *(Continued)*

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

	For the year ended 31 December					
	Construction Equipment Business (Note)		Property Development Business		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Primary geographical markets						
Singapore	79,853	77,452	–	–	79,853	77,452
PRC	75,440	88,344	–	–	75,440	88,344
Hong Kong (place of domicile)	39,718	41,064	–	–	39,718	41,064
United Arab Emirates	1,929	–	–	–	1,929	–
Turkey	1,133	–	–	–	1,133	–
Korea	1,326	938	–	–	1,326	938
Vietnam	387	1,026	–	–	387	1,026
France	243	1,651	–	–	243	1,651
Thailand	139	1,041	–	–	139	1,041
Australia	–	1,822	–	–	–	1,822
Israel	–	1,406	–	–	–	1,406
Total	200,168	214,744	–	–	200,168	214,744

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

7. SEGMENT INFORMATION *(Continued)*

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

Non-current assets

	Hong Kong (domicile) HK$'000	**Singapore** HK$'000	**PRC** HK$'000	**Total** HK$'000
At 31 December 2022	**62,914**	**158,648**	**75,986**	**297,548**
At 31 December 2021	59,072	164,346	72,966	296,384

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

Information about major customer

The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group for the year ended 31 December 2022.

During the year ended 31 December 2021, revenue from customer A of the Group's PRC segment amounting to approximately HK$26,809,000, which represented approximately 12.5% of the total revenue of the Group.

8. REVENUE

Revenue from the Group's principal activities during the year are as follows:

	2022 HK$'000	2021 HK$'000
Construction Equipment Business		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of machinery	9,117	11,716
Sales of spare parts	1,599	1,780
Service income	25,868	30,879
	36,584	44,375
Revenue from other sources:		
Rental income from leasing of owned plant and machinery and right-of-use assets	76,908	111,407
Rental income from subleasing of short term leases related to plant and machinery	86,676	58,962
	163,584	170,369
	200,168	214,744

8. REVENUE *(Continued)*

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

	For the year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Construction Equipment Business		
Timing of revenue recognition under HKFRS 15		
At a point in time	**10,716**	13,496
Transferred over time	**25,868**	30,879
	36,584	44,375
Revenue from other sources		
Transferred over time	**163,584**	170,369
	200,168	214,744

9. OTHER INCOME AND GAINS

	2022 HK$'000	2021 HK$'000
Bank interest income	6	4
Government grants *(note (a))*	1,187	445
Forfeited customers' deposits	1,326	–
Reversal of legal provision *(note (b))*	1,029	–
Exchange gain, net	1,220	–
Compensation received	494	288
Sale of scrap materials	514	209
Dividend income	–	2,080
Investment income	–	4,129
Gain on disposal of property, plant and equipment	–	37
Others	369	527
	6,145	7,719

Notes:

(a) In 2022, the Group received grants from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") and grants received from the Job Support Scheme to support COVID-19 epidemic launched by the Ministry of Manpower of Singapore.

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

(b) Amounts represented the reversal of legal provisions made in prior years after obtaining the legal opinion that the Group is no longer liable to the legal claim.

10. OTHER OPERATING EXPENSES

	2022 HK$'000	2021 HK$'000
Depreciation of property, plant and equipment:		
– Owned assets	38,337	33,863
– Right-of-use-assets	25,911	29,367
Amortisation of intangible assets	1,921	1,783
	66,169	65,013

11. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest charges on financial liabilities stated at amortised cost:		
– Borrowings	2,921	1,866
– Other loan interests	4,150	4,150
– Lease liabilities	3,396	3,697
– Loan from intermediate holding company	–	574
	10,467	10,287

12. PROFIT BEFORE INCOME TAX

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

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	1,205	1,159
Cost of inventories recognised as an expense	2,210	7,691
Amortisation of intangible assets	1,921	1,783
Depreciation of property, plant and equipment	38,337	33,863
Depreciation of right-of-use assets	25,911	29,367
(Reversal of provision)/impairment loss on trade receivables, net	(706)	1,729
Write-off of property, plant and equipment	78	437
Write-off of trade receivables	1,125	–
Provision/(reversal of provision) for inventories, net	207	(22)
Lease charges in respect of short term leases	24,902	35,843
Employee costs (including Directors' remuneration *((note 16) (note (i)))*		
– Wages, salaries and bonuses	31,435	41,259
– Contribution to defined contribution plans *(note (ii))*	2,893	2,963
	34,328	44,222
Gain on disposal of property, plant and equipment	–	(37)
Income from subleasing of short term leases related to plant and machinery	(86,676)	(58,962)
Income from leasing of owned plant and machinery and right-of-use assets	(76,908)	(111,407)
Net foreign exchange (gain)/loss	(1,220)	1,691

Notes:

(i) Employee costs (including Directors' remuneration) had been included in cost of sales and services of approximately HK$6,667,000 (2021: approximately HK$6,527,000) and administrative expenses of approximately HK$27,661,000 (2021: approximately HK$37,695,000).

(ii) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

13. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax		
– Provision for HK Profits Tax	–	332
– Provision for PRC Enterprise Income Tax ("EIT")	1,094	2,707
Deferred tax		
– Current year (Note 30)	(647)	–
Total income tax expense	447	3,039

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

Singapore profits tax has not been provided as the estimated assessable profits of the respective subsidiaries are wholly absorbed by tax losses brought forward from previous years.

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

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

13. INCOME TAX EXPENSE *(Continued)*

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

	2022 HK$'000	2021 HK$'000
Profit before income tax	5,626	7,049
Tax calculated at the domestic tax rate of 16.5%	928	1,164
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	334	890
Tax effect of non-deductible expenses	1,923	4,983
Tax effect of non-taxable income	(1,516)	(2,780)
Tax effect of temporary difference not recognised	695	(1,886)
Tax effect of (utilisation of tax losses previously not recognised)/tax losses not recognised	(1,917)	668
Income tax expense	447	3,039

14. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

15. EARNINGS PER SHARE

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

	2022	2021
Profit		
Profit for the purposes of basic and diluted earnings per share (HK$'000)	5,179	4,478
Number of shares		
Weighted average number of ordinary shares	1,060,000,000	1,060,000,000
Basic and diluted earnings per share (HK cents)	0.49	0.42

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the year ended 31 December 2022 (2021: Nil).

16. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

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

(a) Directors' remuneration

	Directors' fee HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2022					
Executive directors					
Mr. Kwok Ying Shing	–	100	–	5	105
Ms. Lee Kin Ping Gigi	–	200	–	10	210
Mr. Zheng Wei (Chief Executive Officer) *(note (vii))*	–	655	–	6	661
Mr. Zhao Yi *(note (vi))*	–	212	–	11	223
Mr. Zhou Puzhang *(note (v))*	–	8	–	–	8
Independent non-executive directors					
Mr. Li Yongjun	204	–	–	–	204
Mr. Xu Xiaowu	204	–	–	–	204
Mr. Diao Yingfeng	204	–	–	–	204
	612	1,175	–	32	1,819

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

(a) Directors' remuneration *(Continued)*

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

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

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

Notes:

(i) Appointed on 16 July 2021

(ii) Resigned on 16 July 2021

(iii) Resigned on 3 December 2021

(iv) Resigned on 22 December 2021

(v) Resigned on 28 January 2022

(vi) Resigned on 9 September 2022

(vii) Appointed on 9 September 2022 and act as the Chief Executive Officer of the Group

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

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group included none (2021: none) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the 5 (2021: 5) non-director highest paid individuals for the year are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	4,259	5,699
Discretionary bonuses	42	242
Retirement scheme contribution	273	395
	4,574	6,336

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

	2022	2021
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	–	1

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2021: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Building at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2021							
Opening net carrying amount	30,763	100,623	721	1,181	959	4,563	138,810
Additions	–	87,922	–	262	213	348	88,745
Transfer to inventories	–	(3,388)	–	–	–	–	(3,388)
Transfer from Right-of-use assets *(note 18)*	–	1,148	–	–	–	–	1,148
Depreciation	(2,096)	(29,683)	(203)	(415)	(538)	(928)	(33,863)
Write-off	–	(437)	–	–	–	–	(437)
Disposal	–	(2,806)	–	(68)	(16)	–	(2,890)
Exchange differences	(499)	7	–	49	(2)	(46)	(491)
Closing net carrying amount	28,168	153,386	518	1,009	616	3,937	187,634
At 31 December 2021							
Cost	46,129	370,124	2,438	4,248	6,324	6,238	435,501
Accumulated depreciation and impairment losses	(17,961)	(216,738)	(1,920)	(3,239)	(5,708)	(2,301)	(247,867)
Net carrying amount	28,168	153,386	518	1,009	616	3,937	187,634
Year ended 31 December 2022							
Opening net carrying amount	28,168	153,386	518	1,009	616	3,937	187,634
Additions	1,822	29,493	–	42	90	196	31,643
Transfer to inventories	–	(616)	–	–	–	–	(616)
Transfer from Right-of-use assets *(note 18)*	–	29,396	–	–	–	–	29,396
Depreciation	(1,559)	(35,276)	(179)	(362)	(336)	(625)	(38,337)
Write-off	–	–	(78)	–	–	–	(78)
Disposal	–	(1,003)	–	–	(18)	–	(1,021)
Exchange differences	117	(2,700)	–	(8)	(1)	14	(2,578)
Closing net carrying amount	28,548	172,680	261	681	351	3,522	206,043
At 31 December 2022							
Cost	48,068	433,787	2,350	4,119	6,213	5,969	500,506
Accumulated depreciation and impairment losses	(19,520)	(261,107)	(2,089)	(3,438)	(5,862)	(2,447)	(294,463)
Net carrying amount	28,548	172,680	261	681	351	3,522	206,043

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

At 31 December 2022, the Group's banking facilities were secured by a building of the Group with net carrying amount of approximately HK$28,548,000 (2021: approximately HK$28,168,000) and property, plant and equipment with net carrying amount of approximately HK$5,870,000 (2021: approximately HK$6,974,000) (note 27).

At 31 December 2022, the Group's non-bank borrowings were secured by property, plant and equipment with net carrying amount of approximately HK$27,082,000 (2021: approximately HK$21,375,000) (note 27).

Property, plant and equipment leased out under operating leases

The Group entered into several arrangements to lease certain machineries included in property, plant and equipment to third parties from 1 to 2 years. There are no early termination option, extension option and renewal option in the contract. None of these leases includes variable lease payments. The Group considered that the lease arrangements are operating leases and the movement of the equipment are detailed as below:

	Plant and machinery HK$'000
Year ended 31 December 2022	
Opening net carrying amount	**153,386**
Additions	**29,493**
Disposal	**(1,003)**
Depreciation	**(35,276)**
Transfer to inventories	**(616)**
Transfer from right-of-use assets	**29,396**
Exchange differences	**(2,700)**
Closing net carrying amount	**172,680**
At 31 December 2022	
Cost	**433,787**
Accumulated depreciation	**(261,107)**
Net carrying amount	**172,680**

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

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

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

18. RIGHT-OF-USE ASSETS

The Group as leasee

	Motor vehicle HK$'000	Office and warehouse HK$'000	Land HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
Year ended 31 December 2021						
Opening net carrying amount	226	9,285	9,809	–	111,265	130,585
Additions	–	–	–	171	5,304	5,475
Transferred to property, plant and equipment (note 17)	–	–	–	–	(1,148)	(1,148)
Depreciation	(222)	(5,216)	(432)	(23)	(23,474)	(29,367)
Exchange differences	(4)	16	(160)	–	(243)	(391)
Closing net carrying amount	–	4,085	9,217	148	91,704	105,154
At 31 December 2021						
Cost	2,125	17,919	10,512	171	165,580	196,307
Accumulated depreciation and impairment losses	(2,125)	(13,834)	(1,295)	(23)	(73,876)	(91,153)
Net carrying amount	–	4,085	9,217	148	91,704	105,154
Year ended 31 December 2022						
Opening net carrying amount	–	4,085	9,217	148	91,704	105,154
Additions	–	–	–	–	42,368	42,368
Transferred to property, plant and equipment (note 17)	–	–	–	–	(29,396)	(29,396)
Depreciation	–	(4,071)	(426)	(34)	(21,380)	(25,911)
Lease Modification	–	–	–	–	1,478	1,478
Early termination	–	–	–	–	(2,723)	(2,723)
Exchange differences	–	(14)	30	–	(992)	(976)
Closing net carrying amount	–	–	8,821	114	81,059	89,994
At 31 December 2022						
Cost	–	–	10,555	172	112,688	123,415
Accumulated depreciation and impairment losses	–	–	(1,734)	(58)	(31,629)	(33,421)
Net carrying amount	–	–	8,821	114	81,059	89,994

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

The Group as lessee *(Continued)*

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases	24,902	35,843
Total cash outflow for lease	65,922	46,095

For both years, the Group leases office and warehouse, office equipment and plant and machinery for its operations. The lease term for office and warehouse are entered into for fixed term of 1 year to 2 years. The lease term for office equipment are entered into for fixed term of 1 year to 5 years. The lease term for plant and machinery are entered into for fixed term of 1 year to 4 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the Group owns an industrial building in Singapore where its facilities and office in Singapore are primarily located. The Group is the registered owner of this industrial building, including the underlying leasehold land. Lump sum payments were made upfront to acquire this industrial building. The leasehold land component of this industrial building is presented separately as the payments made can be allocated reliably.

Lease committed

As at 31 December 2022, the Group entered into new leases for warehouse that have not yet commenced, with average non-cancellable period ranging from 1 to 2 years (2021: Nil), excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to approximately HK$6,168,000 (2021: Nil).

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

The Group as lessor

The Group leases out all plant and machinery included in right-of-use assets under operating leases. The leases typically run for an initial period of 1 to 2 years (2021: 1 to 2 years). None of the leases includes variable lease payments. The disaggregation of these plant and machinery under operating leases included within right-of-use assets and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	Plant and machinery HK$'000
Year ended 31 December 2021	
Opening net carrying amount	111,265
Additions	5,304
Transferred to property, plant and equipment (note 17)	(1,148)
Depreciation	(23,474)
Exchange differences	(243)
Closing net carrying amount	91,704
At 31 December 2021	
Cost	165,580
Accumulated depreciation and impairment losses	(73,876)
Net carrying amount	91,704
Year ended 31 December 2022	
Opening net carrying amount	91,704
Additions	42,368
Transferred to property, plant and equipment (note 17)	(29,396)
Depreciation	(21,380)
Lease Modification	1,478
Early termination	(2,723)
Exchange differences	(992)
Closing net carrying amount	81,059
At 31 December 2022	
Cost	112,688
Accumulated depreciation and impairment losses	(31,629)
Net carrying amount	81,059

19. INTANGIBLE ASSETS

	Construction licenses HK$'000
Year ended 31 December 2021	
Opening net carrying amount	2,466
Acquisition of subsidiaries *(note 36)*	2,749
Amortisation	(1,783)
Closing net carrying amount	3,432
At 31 December 2021	
Cost	6,037
Accumulated amortisation	(2,605)
Net carrying amount	3,432
Year ended 31 December 2022	
Opening net carrying amount	3,432
Amortisation	(1,921)
Closing net carrying amount	1,511
At 31 December 2022	
Cost	6,037
Accumulated amortisation	(4,526)
Net carrying amount	1,511

20. PROPERTIES UNDER DEVELOPMENT

	2022 HK$'000	2021 HK$'000
Within normal operating cycle included under current assets:		
Land use rights	85,900	85,900
Construction costs	43,362	28,415
Interest capitalised	4,368	1,623
Total	133,630	115,938

The properties under development are all located in Hong Kong. No provision for impairment was made during years ended 31 December 2022 and 2021. The properties under development are expected to be completed and available for sale in more than 12 months.

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

At 31 December 2022, no properties under development (2021: HK$85,900,000) was pledged as collateral for bank borrowings (note 27).

Borrowing costs capitalised during the year arose on the bank borrowings to finance properties under development.

21. INVENTORIES AND CONSUMABLES

	2022 HK$'000	2021 HK$'000
Cranes and spare parts	21,641	12,982
Less: provision for inventories	(2,940)	(2,733)
	18,701	10,249

22. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Current portion:		
Trade receivables, gross	56,176	91,937
Less: Loss allowance	(2,573)	(3,279)
Trade receivables, net	53,603	88,658

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately HK$64,522,000.

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 90 days (2021: 0 to 90 days) or based on the terms agreed in the relevant sales and rental agreements.

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

	2022 HK$'000	2021 HK$'000
0 - 30 days	26,738	29,197
31 - 60 days	3,739	5,716
61 - 90 days	924	5,802
Over 90 days	22,202	47,943
	53,603	88,658

22. TRADE RECEIVABLES *(Continued)*

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

	2022 HK$'000	2021 HK$'000
At 1 January	3,279	1,550
Impairment loss (reversed)/recognised, net	(502)	1,745
Recovery of impairment	(204)	(16)
At 31 December	2,573	3,279

During the year ended 31 December 2022, included in impairment loss recognised for trade receivables of approximately HK$646,000 (2021: approximately HK$1,081,000) (note 40(b)) represented loss allowance for credit-impaired specific debtors. The credit-impaired specific debtors are due from customers experiencing dispute that were in default or past due event.

In addition, during the year ended 31 December 2022, there was a write-off of trade receivables of approximately HK$1,125,000 (2021: HK$Nil) and included in administrative expenses.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 40(b).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current assets		
Deposit	–	164
	–	164
Current assets		
Prepayments	9,624	5,273
Deposits	7,602	4,667
Other receivables	295	2,010
	17,521	11,950
	17,521	12,114

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

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

	2022 HK$'000	2021 HK$'000
At 1 January	9	9
Written off of provision	(9)	–
At 31 December	–	9

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 40(b).

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent bank deposits and cash at bank and in hand.

The Group had cash and cash equivalents denominated in RMB of approximately RMB3,732,000 (2021: approximately RMB848,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash at bank earns interest at floating rates based on daily bank deposits rates as set out in note 40(a). The Group's exposures to foreign currency risk were set out in note 40(c).

25. TRADE PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	77,613	61,703

The credit period is, in general, 30 to 90 days (2021: 30 to 90 days) or based on the terms agreed in purchase agreements.

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

	2022 HK$'000	2021 HK$'000
0 - 30 days	12,473	12,013
31 - 60 days	3,207	2,443
61 - 90 days	873	10,127
Over 90 days	61,060	37,120
	77,613	61,703

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

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

	2022 HK$'000	2021 HK$'000
Receipt in advance from customers	58,023	25,034
Accruals *(note (i))*	36,055	34,093
Accrued construction cost	2,911	2,500
Other payables *(notes (ii))*	12,238	22,027
	109,227	83,654
Contract liabilities	15,910	3,840
	125,137	87,494

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

As at 1 January 2021, contract liabilities amounted to approximately HK$4,720,000.

Notes:

(i) At 31 December 2022, included in accruals is an amount of approximately HK$27,575,000 (2021: approximately HK$23,425,000) which represented accrued interest on other loans payable (note 28).

(ii) At 31 December 2022, included in other payables is an amount of approximately Singapore Dollar ("S$") 82,500 (equivalent to approximately HK$477,000) (2021: S$82,500 (equivalent to approximately HK$475,000)) which represented provision for liabilities related to the claim for damages and consequential economic loss by a customer against the Group; and an amount of S$14,000 (equivalent to approximately HK$81,000) (2021: S$140,000 (equivalent to approximately HK$808,000)) which represented provision of legal expenses.

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

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

	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Receipt in advance from customers for sales of machinery	15,910	3,840
Contract liabilities	15,910	3,840

At 31 December 2022, the amount of consideration received in advance as prepayments from customers for sales of 11 machineries and spare parts (2021: 4 machines) amounting to approximately HK$15,910,000 (2021: approximately HK$3,837,000) are short term as the respective revenue is expected to be recognised within one year when the goods are delivered to customers.

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

	2022 HK$'000	2021 HK$'000
For the year ended		
Revenue recognised that was included in the contract liabilities at beginning of year ended		
– Sales of machinery	3,840	2,375

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

27. BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowings	29,667	93,260
Non-bank borrowings	24,146	13,288
	53,813	106,548
Portion classified as current liabilities	(20,378)	(15,735)
Non-current portion	33,435	90,813

	Bank Borrowings		Non-bank borrowings	
	31/12/2022 HK$'000	31/12/2021 HK$'000	31/12/2022 HK$'000	31/12/2021 HK$'000
The carrying amounts of the above borrowings are repayable:				
Within one year	12,237	11,942	8,141	3,793
Within a period of more than one year but not exceeding two years	11,597	12,553	9,550	2,330
Within a period of more than two years but not exceeding five years	5,833	68,765	6,455	7,165
	29,667	93,260	24,146	13,288

The borrowings denominated in S$ bore interest at variable interest rates at 31 December 2021 and 2022. The effective interest rates of the Group's borrowings were set out in note 40(a).

The borrowings denominated in HK$ bore interest at variable interest rates at 31 December 2021 and 2022. The effective interest rates of the Group's borrowings were set out in note 40(a).

At 31 December 2022, the Group's bank borrowings were secured by a building of the Group with net carrying amount of approximately HK$28,548,000 (2021: approximately HK$28,168,000), property, plant and equipment with net carrying amount of approximately HK$5,870,000 (2021: approximately HK$6,974,000). As at 31 December 2022, no properties under development (2021: properties under development with net carrying amount of approximately HK$85,900,000) were pledged as collateral for the Group's borrowings.

At 31 December 2022, the Group's non-bank borrowings were secured by property, plant and equipment with net carrying amount of approximately HK$27,082,000 (2021: approximately HK$21,375,000).

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

At 31 December 2021 and 2022, the relevant loan agreements of outstanding bank borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

28. OTHER LOANS

Since 2018, the Company has entered into several unsecured other loan agreements with Harbour Luck Investments Limited ("Harbour Luck"), a substantial shareholder of the Company until 29 April 2021. The loans are unsecured and repayable on demand.

On 6 August 2020, Harbour Luck had entered into a supplementary agreement with the Company where Harbour Luck agreed to adjust the annual interest rate from 10% to 5% for the outstanding loan balance of HK$183,000,000, starting from the date of drawn down, and Harbour Luck agreed to waive HK$17,537,000 interest payable by the Company as a result of the adjustment of the interest rate. The waived interest payable has been included in the capital reserve of the Company as a deemed contribution from shareholder.

In the opinion of the directors of the Company, the loans were granted to the Company on normal commercial terms to the Company.

Subsequent to the financial year ended 31 December 2022, financial support has been obtained from Harbour Luck for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$27,575,000 respectively as at 31 December 2022 in the next coming twelve months.

29. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	25,763	37,161
Within a period of more than one year but not exceeding two years	43,908	37,584
Within a period of more than two years but not exceeding five years	7,530	–
	77,201	74,745
Less: Amount due for settlement with 12 months shown under current liabilities	(25,763)	(37,161)
Amount due for settlement after 12 months shown under non-current liabilities	51,438	37,584

Certain lease liabilities payables bore interest at fixed interest rates with effective interest rates at 31 December 2022 ranged from 2.7% to 7.0% (2021: 2.7% to 6.2%) per annum. The other lease liabilities bore interest at variable interest rates. The effective interest rates on the Group's lease liabilities as at reporting date were set out in note 40(a).

At 31 December 2022, certain lease liabilities of the Group were secured by machinery of approximately HK$82,397,000 (2021: approximately HK$58,058,000) and corporate guarantees executed by the Company and certain subsidiaries.

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

30. DEFERRED TAX

The balance on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000
As at 1 January and 31 December 2021	2,197
Credited to profit or loss *(Note 13)*	(647)
As at 31 December 2022	1,550

The balance on deferred tax assets is as follows:

	Deferred tax assets attributable to tax losses HK$'000
At 1 January 2021, 31 December 2021 and 31 December 2022	101

Deferred tax asset in respect of tax losses has not been recognised in the consolidated financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounting to approximately HK$90,635,000 (2021: approximately HK$102,251,000), can be carried forward indefinitely under the current tax legislation.

Pursuant to the PRC tax law and its rules and regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to dividend distributions after 31 December 2007.

At 31 December 2021 and 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC as in the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2021 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2021 and 2022.

31. SHARE CAPITAL

	2022		2021	
	Number of Shares '000	Amount HK$'000	Number of Shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January, 31 December	200,000,000	2,000,000	200,000,000	2,000,000
Issued and fully paid:				
At 1 January, 31 December	1,060,000	10,600	1,060,000	10,600

32. RESERVES

32.1 Share premium

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

32.2 Statutory reserves

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

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

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

32.3 Merger reserve

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

32. RESERVES *(Continued)*

32.4 Capital reserve

The capital reserve represented deemed contribution from the immediate and ultimate holding company as a waiver of loan interest payable (note 28).

32.5 Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the translation reserve. Exchange differences accumulated in the translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

32.6 Contributed surplus

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

Group

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

Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	346,824	41,572	17,537	(160,702)	245,231
Loss and total comprehensive loss for the year	–	–	–	(132,616)	(132,616)
Balance at 31 December 2021 and 1 January 2022	**346,824**	**41,572**	**17,537**	**(293,318)**	**112,615**
Loss and total comprehensive loss for the year	–	–	–	(50,578)	(50,578)
Balance at 31 December 2022	**346,824**	**41,572**	**17,537**	**(343,896)**	**62,037**

33. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. At 31 December 2022, no option has been granted by the Company under the Share Option Scheme since its adoption (2021: Nil).

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	544
Right-of-use assets		–	1,164
Investments in subsidiaries		5	5
		5	1,713
Current assets			
Amounts due from subsidiaries		300,553	269,741
Prepayments, deposits and other receivables		399	2,822
Cash and cash equivalents		1,157	–
		302,109	272,563
Current liabilities			
Amounts due to subsidiaries		117,541	41,195
Receipt in advance, accruals and other payables		28,936	24,974
Borrowings		–	645
Other loans		83,000	83,000
Lease liabilities		–	1,247
		229,477	151,061
Net current assets		72,632	121,502
Net assets		72,637	123,215
EQUITY			
Share capital	*31*	10,600	10,600
Reserves	*32*	62,037	112,615
Total equity		72,637	123,215

35. INVESTMENTS IN SUBSIDIARIES

At 31 December 2021 and 2022, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company		Principal activities
				2022	2021	
Interests held directly						
Beyond Vision Ventures Limited	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Chief Key Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited	Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Lucky Boom Investments Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Blissful Cypress Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Jade Hover Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Jubilee Path Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Soar Cloud Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Huacui Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Rentai Limited	Limited liability company	BVI/Hong Kong	100 ordinary share of US$1 each	100%	100%	Investment holding
Interests held indirectly						
Chief Strategy Limited	Limited liability company	BVI/Hong Kong	300 ordinary shares of US$1 each	100%	100%	Investment holding
Hover Ascend Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Inactive
Gold Lake Holdings Limited	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding

35. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2022	2021	Principal activities
Interests held indirectly *(Continued)*							
Manta Engineering and Equipment Company, Limited		Limited liability company	Hong Kong	HK$24,014,366	100%	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited		Limited liability company	Hong Kong	HK$36,094,913	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited		Limited liability company	Hong Kong	HK$10,875,287	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Engineering and Equipment (Macau) Company Limited		Limited liability company	Macau	1 quota with nominal value of MOP25,000	–	100%	Inactive (deregistration during the year)
Manta Equipment (S) Pte Ltd		Limited liability company	Singapore	10,000,000 ordinary shares of S$1 each	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Services (S) Pte Limited		Limited liability company	Singapore	10,000 ordinary shares of S$1 each	100%	100%	Inactive
Eagle Legend Equipment China Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment Holding
敏達器械工程(深圳)有限公司	*(i)*	Limited liability company	PRC	RMB10,000,000	100%	100%	Trading in construction machinery and spare parts
敏達器械租賃(深圳)有限公司		Limited liability company	PRC	RMB10,000,000	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
敏達器械服務(深圳)有限公司	*(i)*	Limited liability company	PRC	RMB10,000,000	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services

35. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	*Notes*	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2022	2021	Principal activities
Interests held indirectly *(Continued)*							
敏達器械設備安裝(深圳)有限公司		Limited liability company	PRC	RMB40,000,000	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Focus Spring Limited	*(i)*	Limited liability company	BVI	1 ordinary share of US$1	100%	100%	Inactive
Great Fortune Asia Pacific Limited		Limited liability company	Hong Kong	HK$100	100%	100%	Inactive
Eagle Legend Engineering Management Consulting Company Limited		Limited liability company	Hong Kong	HK$100	100%	100%	Property development
Kaisa Capital Investment Group Limited		Limited liability company	Hong Kong	HK$100	100%	100%	Inactive
Victor-Oasis Holdings Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Manta Construction Limited		Limited liability company	Hong Kong	HK$500,000	100%	100%	Trading and sub-contracting of construction projects
Digit Star Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Inactive
Dragon Harmony Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Inactive
Fortune Mart Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Inactive

Notes:

(i) No paid up share capital as at 31 December 2022.

36. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2021, the Group entered into an agreement to acquire 100% equity interest in Victor-Oasis Holdings Limited and its subsidiary (collectively the "Victor-Oasis Group") from an independent third party, at a total cash consideration of HK$2,750,000. On the acquisition date, Victor-Oasis Group was inactive and held construction licenses. This acquisition was recognised as acquisition of assets. Construction licenses were recognised as intangible assets (note 19).

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

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

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

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

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

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

Investing activity

Additions to right-of-use assets of approximately HK$42,368,000 (2021: approximately HK$5,475,000) were acquired under lease liabilities during the year ended 31 December 2022.

(b) Reconciliation of liabilities arising from financing activities:

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

	Borrowings HK$'000 *(Note 27)*	Other loans HK$'000 *(Note 28)*	Accrued interest on other loans HK$'000 *(Note 26)*	Lease liabilities HK$'000 *(Note 29)*	Total HK$'000
At 1 January 2022	106,548	83,000	23,425	74,745	287,718
Changes from cash flows:					
Proceeds from bank borrowings	18,207	–	–	–	18,207
Repayment of bank borrowings	(66,943)	–	–	–	(66,943)
Interest element of lease rental paid	–	–	–	(3,396)	(3,396)
Interest paid	(2,921)	–	–	–	(2,921)
Capital element of lease rentals paid	–	–	–	(37,624)	(37,624)
Total changes from financing cash flows:	(51,657)	–	–	(41,020)	(92,677)
Exchange adjustments:	(3,999)	–	–	(3,035)	(7,034)
Other changes:					
Interest arising from lease liabilities	–	–	–	3,396	3,396
Interest arising from borrowings	2,921	–	–	–	2,921
Interest arising from other loans	–	–	4,150	–	4,150
Entering into new leases during the year	–	–	–	42,117	42,117
Lease modification	–	–	–	(1,502)	(1,502)
Early termination	–	–	–	2,500	2,500
Total other changes	2,921	–	4,150	46,511	53,582
At 31 December 2022	53,813	83,000	27,575	77,201	241,589

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

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

	Borrowings HK$'000 *(Note 27)*	Other loans HK$'000 *(Note 28)*	Accrued interest on other loans HK$'000 *(Note 26)*	Lease liabilities HK$'000 *(Note 29)*	Total HK$'000
At 1 January 2021	73,160	83,000	19,275	75,215	250,650
Changes from cash flows:					
Proceeds from bank borrowings	44,357	–	–	–	44,357
Repayment of bank borrowings	(11,180)	–	–	–	(11,180)
Interest element of lease rental paid	–	–	–	(3,697)	(3,697)
Interest paid	(2,424)	–	–	–	(2,424)
Capital element of lease rentals paid	–	–	–	(6,555)	(6,555)
Total changes from financing cash flows:	30,753	–	–	(10,252)	20,501
Exchange adjustments:	211	–	–	610	821
Other changes:					
Interest arising from borrowings	2,424	–	–	–	2,424
Interest arising from lease liabilities	–	–	–	3,697	3,697
Interest arising from other loans	–	–	4,150	–	4,150
Entering into new leases during the year	–	–	–	5,475	5,475
Total other changes	2,424	–	4,150	9,172	15,746
At 31 December 2021	106,548	83,000	23,425	74,745	287,718

38. COMMITMENTS

(a) Commitment - as lessor

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

	2022 HK$'000	2021 HK$'000
Within one year	128,281	77,009
In the second year	44,907	4,782
	173,188	81,791

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

38. COMMITMENTS *(Continued)*

(b) Commitment - as lessee

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

	2022 HK$'000	2021 HK$'000
Group		
Within one year	13,887	23,369

At 31 December 2022, the leases payment in respect of machinery, office and premises in Hong Kong and PRC run for an initial period within one year. All rentals are fixed over the lease terms and do not include contingent rentals.

(c) Other commitments

	2022 HK$'000	2021 HK$'000
Group		
Acquisition of property, plant and equipment		
– contracted but not provided for	49,430	5,678
Construction related costs in respect of the properties under development		
– contracted but not provided for	7,548	24,370
	56,978	30,048

39. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions during the year

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

Related party relationship	Type of transaction	2022 HK$'000	2021 HK$'000
Loan from intermediate holding company	Interest expenses on loan from intermediate holding company	–	574

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

(b) Key management personnel compensation

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

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	2,497	2,379
Post-employment benefits	50	63
	2,547	2,442

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

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

(a) Interest rate risk

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

Exposure

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

	Weighted average effective interest rate per annum		Carrying amount	
	2022	2021	**2022**	2021
	%	%	**HK$'000**	HK$'000
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0 – 0.4**	0 – 0.4	**38,442**	26,356
			38,442	26,356
Financial liabilities				
Borrowings	**2.9 – 6.3**	2.4 – 5.0	**53,813**	106,548
Lease liabilities	**3.0 – 5.7**	3.0 – 5.2	**8,706**	5,162
			62,519	111,710
Net exposure			**(24,077)**	(85,354)

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

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

(a) Interest rate risk *(Continued)*

Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2021: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2022 HK$'000	2021 HK$'000
Effect on loss after income tax for the year and accumulated losses	(173)	(757)

A -1% (2021: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. At 31 December 2022, the five largest trade debtors, in aggregate, contributed approximately HK$14,540,000 or 27% (2021: approximately HK$51,354,000 or 57%) to the Group's total trade receivables, net of loss allowance. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

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

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

The followings are credit risk management practices and quantitative and qualitative information about amounts arising ECL for each class of financial assets.

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

(b) Credit risk *(Continued)*

Trade receivables

The Group provides for lifetime ECLs for trade receivables based on historical trend. Loss rates are based on actual loss experience and past trends. Where there is a significant deterioration in credit risk or when the receivables are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs also incorporate forward looking information such as forecast of economic conditions.

As at 31 December 2022, included in the Group's trade receivables balance are trade receivables with aggregate carrying amount of approximately HK$35,299,000 (2021: approximately HK$81,778,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$23,295,000 (2021: approximately HK$48,860,000) has been past due 90 days or more and is not considered as in default because the Group considers the historical default rates of counterparties to be consistently low.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

	Weighted Average Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2022						
Current (not past due)	1.93%	20,231	413	–	–	413
1-30 days past due	1.93%	7,112	192	–	–	192
31-60 days past due	4.42%	3,922	183	–	–	183
61-90 days past due	4.42%	970	46	–	–	46
91-120 days past due	6.54%	1,294	58	–	–	58
More than 120 days past due	7.43%	22,001	1,035	646	646	1,681
		55,530	1,927	646	646	2,573

	Weighted Average Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2021						
Current (not past due)	1.08%	8,476	95	–	–	95
1-30 days past due	1.08%	21,024	139	69	69	208
31-60 days past due	3.25%	5,869	118	35	35	153
61-90 days past due	3.25%	6,025	113	110	110	223
91-120 days past due	5.23%	2,697	87	103	103	190
More than 120 days past due	6.03%	46,163	1,646	764	764	2,410
		90,254	2,198	1,081	1,081	3,279

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

(b) Credit risk *(Continued)*

Other receivables and deposits measured at amortised cost

The Group provides for 12-month ECLs for all other receivables and deposits at initial recognition. Where there is a significant deterioration in credit risk or when the other receivables and deposits are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs incorporate forward looking information such as forecast of economic conditions and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. The Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's remaining other receivables and deposits is insignificant. The Group has assessed that the remaining other receivables and deposits do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these remaining other receivables and deposits were immaterial under the 12-month ECLs. No loss allowance for remaining other receivables and deposits was recognised for the years ended 31 December 2022 (2021: Nil).

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has major operations in Hong Kong, Singapore and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$ and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

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

(c) Foreign currency risk *(Continued)*

Exposure

Foreign currency denominated financial assets and liabilities, translated into a currency other than the functional currency of the Company and its subsidiaries at the closing rates, are as follows:

	RMB HK$'000	US$ HK$'000
2022		
Other receivables	**44**	**65**
Cash and cash equivalents	**17**	**4,456**
Trade payables	**–**	**7,748**
Lease liabilities	**–**	**5,900**
Borrowings	**–**	**9,562**
2021		
Trade receivables	–	139
Other receivables	44	–
Cash and cash equivalents	19	3,402
Trade payables	–	2,768
Borrowings	–	13,288

Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US$ exchange rates on sensitively analysis would have insignificant impact on the Group's loss before tax and there would be no impact on the Group's equity.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

As detailed in note 2.1, at the end of reporting period for the year ended 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$74,127,000. The Directors consider that the Group will be able to meet its financial obligations as they fall due for next coming twelve months from 31 December 2022, on the basis that financial support is obtained from Harbour Luck for not to demand for repayment of the unsecured other loans and interest payable due by the Group of approximately HK$83,000,000 and of HK$27,575,000 respectively as at 31 December 2022 in the next coming twelve months.

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

(d) Liquidity risk *(Continued)*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

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

	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2022					
Financial liabilities					
– Trade payables	77,613	77,613	–	77,613	–
– Accruals and other payables	52,412	52,412	52,412	–	–
– Borrowings	53,813	58,758	–	22,827	35,931
– Other loans	83,000	83,000	83,000	–	–
– Lease liabilities	77,201	88,620	–	28,649	59,971
	344,039	360,403	135,412	129,089	95,902
2021					
Financial liabilities					
– Trade payables	61,703	61,703	–	61,703	–
– Accruals and other payables	57,743	57,743	57,743	–	–
– Borrowings	106,548	132,148	–	23,665	108,483
– Other loans	83,000	83,000	83,000	–	–
– Lease liabilities	74,745	84,777	–	39,529	45,248
	383,739	419,371	140,743	124,897	153,731

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

(e) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, accruals, borrowings, other loans and lease liabilities.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2022 HK$'000	2021 HK$'000
Financial assets		
At amortised cost		
– Trade receivables	53,603	88,658
– Other receivables and deposits	734	4,376
– Cash and cash equivalents	38,442	26,356
	92,779	119,390
Financial liabilities		
At amortised cost		
– Trade payables	77,613	61,703
– Accruals and other payables	52,412	58,621
– Borrowings	53,813	106,548
– Other loans	83,000	83,000
– Lease liabilities	77,201	74,745
	344,039	384,617

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The capital structure of the Group consists of net debt and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of carrying amounts of borrowings, other loans and lease liabilities as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2022 HK$'000	2021 HK$'000
Borrowings	53,813	106,548
Other loans	83,000	83,000
Lease liabilities	77,201	74,745
Total debts	214,014	264,293
Total equity	137,099	132,236
Total debts to equity ratio	1.6	2.0

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2018 HK$'000 (re-stated)	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Continuing operations					
Revenue	108,277	124,473	143,061	214,744	**200,168**
Cost of sales and services	(60,882)	(70,682)	(76,193)	(80,336)	**(74,036)**
Gross profit	47,395	53,791	66,868	134,408	**126,132**
(Loss)/profit before taxation	(81,880)	(64,918)	(62,489)	7,049	**5,626**
Income tax credit/(expense)	1,833	(567)	(550)	(3,039)	**(447)**
(Loss)/profit for the year from continuing operations	(80,047)	(65,485)	(63,039)	4,010	**5,179**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	91,686	81,785	(69,506)	–	**–**
Profit/(loss) for the year	11,639	16,300	(132,545)	4,010	**5,179**
Profit/(loss) for the year and attributable to owners of the Company					
– Continuing operations	(80,078)	(65,442)	(62,999)	4,478	**5,179**
– Discontinued operations	37,406	33,269	(68,901)	–	**–**
(Loss)/earnings per share from continuing and discontinued operations					
– Basic and diluted (HK cents)	(4.03)	(3.04)	(12.44)	0.42	**0.49**
(Loss)/earnings per share from continuing operations					
– Basic and diluted (HK cents)	(7.55)	(6.17)	(5.94)	0.42	**0.49**
Earnings/(loss) per share from discontinued operations					
– Basic and diluted (HK cents)	3.52	3.13	(6.50)	–	**–**

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000
Non-current assets	564,929	241,647	273,357	296,485	297,649
Current assets	253,618	86,931	212,296	253,531	261,897
Current liabilities	(271,700)	(337,420)	(251,745)	(287,186)	(336,024)
Assets classified as held for sale	–	578,424	–	–	–
Liabilities directly associated with assets classified as held for sale	–	(30,795)	–	–	–
Net current (liabilities)/assets	(18,082)	297,140	(39,449)	(33,655)	(74,127)
Total assets less current liabilities	546,847	538,787	233,908	262,830	223,522
Non-current liabilities	(64,489)	(48,209)	(106,632)	(130,594)	(86,423)
Net assets/total equity	482,358	490,578	127,276	132,236	137,099
Total debt to equity ratio	0.5	0.6	1.8	2.0	1.6