

CCIAM Future Energy Limited 信能低碳有限公司

(Stock Code: 145)



Annual Report 2022

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Lut Tim
Mr. Chong Kok Leong
Mr. Zhuang Miaozhong

Independent Non-executive Directors

Mr. Choy Hiu Fai, Eric
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter
(appointed on 1 February 2023)
Mr. Huang Lizhi (passed away on 18 December 2022)

AUDIT COMMITTEE

Mr. Choy Hiu Fai, Eric (*Chairman*)
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter
(appointed on 1 February 2023)
Mr. Huang Lizhi (passed away on 18 December 2022)

NOMINATION COMMITTEE

Mr. Choy Hiu Fai, Eric (*Chairman*)
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter
(appointed on 1 February 2023)
Mr. Huang Lizhi (passed away on 18 December 2022)

REMUNERATION COMMITTEE

Mr. Choy Hiu Fai, Eric (*Chairman*)
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter
(appointed on 1 February 2023)
Mr. Huang Lizhi (passed away on 18 December 2022)

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPANY SECRETARY

Mr. Chang Kwan Yip, Quillan
(appointed on 14 March 2023)
Miss Kwok Pui Ha (resigned on 14 March 2023)

PRINCIPAL BANKERS

China CITIC Bank International Limited
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISOR

WT Law Offices

SHARE REGISTRAR

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

REGISTERED OFFICE

Unit D, 7/F
Seabright Plaza
9-23 Shell Street
North Point
Hong Kong

STOCK CODE

145

WEBSITE

<http://www.ccfenergy.com.hk>



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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

CCIAM Future Energy Limited (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”), are principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

During the year ended 31 December 2022, based on the audited financial information, the Group recorded an audited revenue of approximately HK\$23,306,000, representing an increase of approximately 207% as compared with approximately HK\$7,583,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK\$51,972,000 (2021: loss of approximately HK\$65,923,000) was recorded which was mainly attributable to: (i) net allowance for expected credit losses on trade receivables, contract assets and finance lease receivables (“**ECL Provision**”) of approximately HK\$13,641,000 (2021: approximately HK\$35,163,000); (ii) written off of finance lease receivable (“**Written Off**”) of approximately HK\$26,218,000 (2021: HK\$Nil); and (iii) administrative and operating expenses of approximately HK\$11,838,000 (2021: approximately HK\$10,323,000).

Business performance of the Energy saving solutions business

The Company’s subsidiary, Weldtech Technology Co. Limited and its subsidiary, Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) (collectively, the “**Weldtech Group**”) is primarily engaged in design and provision of energy saving solutions business (the “**Energy Saving Business**”). Weldtech Group is engaged in the Energy Saving Business regarding heating, ventilation and air conditioning (the “**HVAC**”) system, our customers are mainly commercial properties like hotels, office buildings, shopping malls and industrial plants.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK\$45,837,000 was recorded for the year ended 31 December 2022 (2021: loss of approximately HK\$65,280,000). The segment loss was mainly attributable to: (i) net allowance for expected credit losses on trade receivables, contract assets and finance lease receivables of approximately HK\$13,641,000 (2021: approximately HK\$35,163,000); (ii) an impairment of intangible assets of HK\$Nil (2021: approximately HK\$21,678,000); (iii) an amortisation of the intangible assets of HK\$Nil (2021: approximately HK\$2,467,000); and (iv) Written Off of approximately HK\$26,218,000. Before deducting the impairment and amortization of the intangible assets, Weldtech Group has generated a segment loss of approximately HK\$45,837,000 (2021: segment loss of approximately HK\$44,522,000) to the Group.

2022 was a challenging year for Weldtech Group. Not only Weldtech Group but the entire energy saving industry also faced exceptional disruption brought by COVID-19. As stated in our 2021 annual report, Weldtech Group had already undergone intensified competition in the industry prior to the pandemic; government lockdown measures and the economic slowdown in the People’s Republic of China (the “**PRC**”) in 2022 further adversely affected Weldtech Group’s business performance.

The months of lockdown in Shanghai in 2022 caused a complete stoppage of our work. Our officers could not go to offices or factories. Due to the lockdowns, our engineers were grounded and unable to get on-site to commence the work. As such, the implementation of projects was delayed, which is a force majeure event beyond the control of Weldtech Group, which also happened to a bulk majority of the companies in the market. All this constrained our ability to operate as planned. Such delays have in turn delayed payments received or to be received by Weldtech Group, and Weldtech Group’s financial position has been adversely affected in the past financial years.

Given that many of Weldtech Group’s customers and partners are facing similar financial difficulties caused by the pandemic, the Company can hardly recover receivables due, and likewise, Weldtech Group can hardly get sizeable new orders.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Further, the pandemic has also adversely affected the demand for Weldtech Group's energy saving products, and consumers' requests for discounts or price reductions have also eaten into the Weldtech Group's profit margin on the new contracts.

After the Shanghai government announced an end to its lockdown in June, our operation team resumed work gradually afterward. Our staff worked with the project owners and other partners to update the relevant timetables and resumed implementation of the projects as soon as practicable. Our staff also has contacted potential clients and expects to get more new orders. The situation further improved in the fourth quarter of 2022, especially after the Chinese central government eased most of the domestic COVID-19 restrictions in December 2022.

Other than the pandemic, the financial crisis faced by property developers in the PRC since 2021 still imposed various challenges to Weldtech Group's energy saving businesses. In 2022, many property developers in the PRC faced significant financial pressure. Many of these property developers had to withhold the commencement of or progress in construction works due to liquidity concerns. Since property developers and construction companies are the major customers of Weldtech Group, any withholding of or delay in construction works will adversely affect the implementation of projects undertaken by Weldtech Group. Worse still, some of the Weldtech Group's potential new orders have been canceled as a result. Alternatively, Weldtech Group had to lower its profit margin for projects to get new orders.

Despite the unfavorable market factors abovementioned, including less than expected cash inflow from receivables collection and possible impact on customers' repayment ability, Weldtech Group remained focused on taking new orders in 2022, resulting in an increase in revenue of approximately 207% when compared to 2021. However, as a cost of getting more new orders to capture more market shares and opportunities during the difficult times, Weldtech Group's gross profit margin was adversely affected when compared to 2021. Weldtech Group expects the such situation will be improved in the second half of 2023 as the overall market conditions are improving after the central government has gradually eased the pandemic control regimes since December 2022.

During the year ended 31 December 2022, Weldtech Group recognized the ECL Provision of approximately HK\$13.64 million and Written Off approximately HK\$26.22 million for the year ended 31 December 2022. In 2022, the ECL Provision and Written Off for the receivables were mainly due from two individual projects, namely:

1. Wuhan data center; and
2. Suqian insurance town project

The carrying amount of and the ECL Provision and Written Off provided for each of the above two projects are set out hereunder:

Project	Carrying amount as at 31 December 2021 RMB 'million	(ECL Provision)/ Reversal of ECL Provision in 2022 RMB 'million	Written Off in 2022 RMB 'million	Settlement during the year RMB 'million	Carrying amount as at 31 December 2022 RMB 'million	Outstanding
						balance to be settled pursuant to the signed settlement agreement RMB 'million
Wuhan data center	11.8	(11.8)	-	-	-	50.5
Suqian insurance town project	32.9	0.4	(22.3)	(0.4)	10.6	N/A



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Details of these two individual projects are described below:

1. The Wuhan data center project:

The Wuhan data center situates in Hubei Province of the PRC (the “**Data Centre**”), and Weldtech Group was engaged to install an air-conditioning system for the Data Center. Although Weldtech Group had performed its contractual duty by completing installation of the air-conditioning system for the Data Centre, the developer had only made a partial payment of the agreed contractual costs to Weldtech Group, with the balance thereof remaining outstanding. After having paid instalments in an aggregated sum of approximately RMB18.7 million to Weldtech Group, the developer has failed to make further repayments.

The developer defaulted in repayment since November 2021, and as at the juncture of the developer’s default, an aggregate sum of approximately RMB43 million remained due and owing to Weldtech Group. Weldtech Group, therefore, instituted proceedings against the developer in the Shanghai Pudong People’s Court (the “**Shanghai Court**”) in 2021 for recovery of the outstanding receivable.

The developer negotiated with Weldtech Group for the amicable resolution of the outstanding receivable, and eventually, the developer executed a settlement agreement with Weldtech Group in February 2022 under and pursuant to which the developer shall repay RMB50.5 million to Weldtech Group by instalments before 30 April 2022 for the amicable resolution of the outstanding receivable (the “**Settlement Agreement**”). The Settlement Agreement was approved by the Shanghai Court in February 2022.

The developer has breached the Settlement Agreement by failing to make the scheduled instalment payment since March 2022, and Weldtech Group has duly reported the developer’s breach to the Shanghai Court. As of the date of this announcement, due to the pandemic and other reasons, the Shanghai Court is yet to give its ruling on the developer’s breach. Weldtech Group will continue to pursue the Recovery Proceedings against the developer with the Shanghai Court.

Further and/or alternative to the Company’s pursuance of legal proceedings in the Shanghai Court, the Company has also engaged a collection agent to assist the Company in recovering the outstanding amount from the developer.

Given that there is uncertainty on whether Weldtech Group could collect the outstanding receivable from the developer in the coming months, therefore, the Company has provided full provision on this project based on the suggestions from the auditor and the independent valuer.

2. Suqian insurance town project

In 2017, Weldtech Group signed a 20 years service contract with the main contractor for the Suqian insurance town project (the “**Service Contract**”). The Suqian insurance town project situates in Gansu Province of the PRC; Weldtech Group was engaged to build a power station to provide an air-conditioning/heat system for buildings located in the Suqian insurance town (the “**Power Station**”). Under the Service Contract, Weldtech Group will charge service fees annually with reference to the occupied areas of the related buildings.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Weldtech Group started its contractual installation works in 2017 and completed much of it in 2018 and 2019. The Power Station was put into use in 2019.

However, due to the outbreak of COVID-19 in late 2019, the central government of the PRC imposed various lockdown measures as well as travel restrictions in the past three years. These measures and restrictions affected the overall the PRC economy severely. These measures, combined with different work-from-home arrangements, further led to a decrease in demand for office space in different cities in the PRC, including the Suqian insurance town. Lower than expected occupancy rate resulted in Weldtech Group receiving lower service fees than expected in the past three years.

Although Weldtech Group considers it may take months for the market to regain momentum before seeing growth in demand for office space in Suqian insurance town in the coming months, market conditions started to improve after the Chinese central government eased most of the COVID-19-related restrictions in December 2022. It is expected that the overall occupancy rate in the Suqian insurance town will see improvement in the second half of 2023.

In accordance with the project nature of the Suqian insurance town project, the Company applied the income approach to determine the estimated finance lease receivable amount for this project. Under the income approach, a discounted cash flow model (the "DCF model") was prepared to assess the estimated finance lease receivable for this project by forecasting its expected cash flows and discounting the cash flows to arrive at a current, present value. The Company prepared the DCF model based on the business forecast of Suqian insurance town project in the coming years with inputs on discount-related factors.

The Company recognized an aggregated finance lease receivable of approximately RMB33.9 million for the Suqian insurance town project in years 2018/2019. Under the original forecast, Weldtech Group expects the occupancy rate of the Suqian insurance town will rise gradually and will reach its full capacity in years 2022/2023, and the Weldtech Group will be able to generate an expected income of approximately RMB3.9 million per year. However, due to the outbreak of the pandemic, the development of the Suqian insurance town was delayed; thus, the growth in the overall occupancy rate of the office buildings in the Suqian insurance town was affected. As a result, Weldtech Group received fewer service fees than expected in the past years.

Therefore, the Company revisited the DCF model with a more conservative approach to forecasting future revenue in coming years with reference to the actual amount of service fee received from the project in past years. Based on the revised results the Company had Written Off and reversal of ECL Provision of approximately RMB22.3 million and RMB0.4 million respectively for the Suqian insurance town project in 2022.

Loan financing and treasury investments businesses

With respect to the segment of loan financing and treasury investments businesses, the Company is in the process of locating opportunities in both the loan financing and treasury investments segments. However, there is no desirable opportunity raised and found fit for the Company. The Company will continue to explore business opportunities in the market for the development of the Group's business.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

TOTAL ASSETS AND TOTAL LIABILITIES

As at 31 December 2022, the total assets decreased to approximately HK\$60,171,000 (2021: approximately HK\$82,311,000). The decrease was mainly attributable to: (i) net allowance for expected credit losses on trade receivables, contract assets and finance lease receivables of approximately HK\$13,641,000 (2021: approximately HK\$35,163,000); (ii) Written Off of finance lease receivable of approximately HK\$26,218,000 (2021: HK\$Nil) (iii) an impairment of intangible assets of HK\$Nil (2021: approximately HK\$21,678,000); (iv) an amortisation of intangible assets of HK\$Nil (2021: approximately HK\$2,467,000).

As at 31 December 2021, the Group made full impairment on intangible assets. The intangible assets represent 7 patents related to the UPPC System used by the Energy Saving Business.

As at 31 December 2022, the Group held finance lease receivables amounting to approximately HK\$14,324,000 (2021: approximately HK\$45,476,000).

As at 31 December 2022, total liabilities decreased to approximately HK\$40,726,000 (2021: approximately HK\$34,101,000). The total liabilities mainly represented the trade and other payables of approximately HK\$9,533,000 (2021: approximately HK\$8,451,000); contract liabilities of approximately HK\$8,819,000 (2021: approximately HK\$935,000), and other borrowings of approximately HK\$22,374,000 (2021: approximately HK\$24,486,000).

FOREIGN EXCHANGE EXPOSURE

The Group conducts its business transactions mainly in the PRC and Hong Kong. The Group's assets were mainly denominated in Renminbi ("RMB") and Hong Kong Dollars ("HK\$"). HK\$ is the Group's presentation currency. During the year, the revenue, cost of operations and operating expenses of the Group are mainly denominated in RMB. Therefore, the Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB against HK\$. The Group has not entered into any significant foreign exchange contract. Management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2022, the Group finances its operations mainly through internally generated cashflows, other borrowings and proceeds from right issues and placing of new shares. As at 31 December 2022, the Group has net current assets of approximately HK\$8,035,000 (2021: approximately HK\$7,493,000). As at 31 December 2022, the Group's cash and bank balances amounted to approximately HK\$26,985,000 (2021: approximately HK\$18,886,000).

As at 31 December 2022, the Group has net cash of approximately HK\$4,611,000, therefore, the gearing ratio is not applicable as at 31 December 2022. The gearing ratio of the Group as at 31 December 2021, which is calculated as net debt (as calculated as other borrowings less cash bank balances) divided by total capital (as calculated by total equity plus net debts) was 10.4%.

As at 31 December 2022, the Group's other borrowings of approximately HK\$22,374,000 (2021: approximately HK\$24,486,000) were secured by the corporate guarantees granted by the Company.

The share capital of the Group is only comprised of ordinary shares. On 13 October 2022, the Company has completed the placing of 104,666,181 new shares. As at 31 December 2022, the Company's number of issued ordinary shares was 627,997,089 ("Share(s)") (2021: 523,330,908 Shares).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

On 28 November 2022, the Company entered into the underwriting agreement with the underwriter for the proposed rights issue of not less than 313,998,544 rights shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.10 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares in issue (the “**Rights Issue**”). The Rights Issue transaction had been completed on 16 January 2023, and an aggregate of 313,998,544 new shares had been allotted and issued by the Company. As at 27 March 2023, the Company’s number of issued ordinary shares was 941,995,633.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022 and 31 December 2021, the Group did not have material contingent liabilities and charge on group assets.

CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK\$954,000 (2021: approximately HK\$5,807,000).

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Save as disclosed elsewhere in this report, there were no material investments, acquisitions or disposals of subsidiaries during the year ended 31 December 2022.

STAFF AND REMUNERATION

The Group had 14 (2021: 19) employees as at 31 December 2022 and total staff costs during the year ended 31 December 2022 amounted to approximately HK\$6,399,000 (2021: approximately HK\$6,579,000). The Group offers competitive remuneration packages to its employees. Other benefits include share options granted or to be granted under the share option scheme of the Company.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group’s net asset value is a key indicator of the financial performance and it decreased to approximately HK\$19,445,000 as at 31 December 2022 (2021: approximately HK\$48,210,000). During the year ended 31 December 2022, the Group recorded a loss attributable to the owners of the Company of approximately HK\$51,972,000 (2021: loss of approximately HK\$65,923,000). The net asset value per share was HK\$0.031, which was calculated on the above net assets value and the Company’s number of 627,997,089 issued ordinary shares as at 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS

The placing of new shares under general mandate (the “2017 Placing”)

In early 2017, a total of 384,416,000 new Shares have been successfully placed to a placee at the placing price of HK\$0.36 per placing Share who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), immediately prior to the completion of the placing.

The gross proceeds from the placing were approximately HK\$138,400,000 and the net proceeds after deducting all relevant expenses were approximately HK\$133,900,000, which the Company intends to utilise for (i) general working capital of the Group, (ii) repayment of existing indebtedness, and/or (iii) possible investments in the future. The utilization of the net proceeds from the placing was summarised as follows:

	Original allocation of net proceeds HK\$'000	Revised allocation after the changes as disclosed in the announcement dated 18 October 2017 HK\$'000	Amount utilised up to 31 December 2022 HK\$'000	Balance as at 31 December 2022 HK\$'000
General working capital of the Group	48,920	96,085	(96,085)	–
Repayment of existing indebtedness	34,980	34,980	(34,980)	–
Possible investments	50,000	2,835	(2,835)	–
	133,900	133,900	(133,900)	–

For further details, please refer to the announcements of the Company dated 29 December 2016, 11 January 2017, 20 January 2017, 18 August 2017, 18 October 2017, 24 September 2019 and 29 September 2021.

The placing of new shares under general mandate (the “2020 Placing”) on 27 July 2020

On 13 July 2020, the Company entered into the placing agreement with the placing agent, pursuant to which the Company agreed to place through the placing agent, on a best-effort basis, up to 200,000,000 new Shares to not less than six independent placees at the placing price of HK\$0.04 per placing Share.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

On 27 July 2020, all the conditions set out in the placing agreement had been fulfilled and the completion of the placing took place on 27 July 2020. An aggregate of 200,000,000 new Shares had been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.04 per placing Share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing were approximately HK\$7,760,000, which the Company intended to apply the net proceeds (i) for general working capital of the Group and/or (ii) for possible investments in the future when opportunities arise. The utilisation of the net proceeds from the placing of new Shares was summarised as follows:

	Allocation of net proceeds HK\$'000	Amount utilised up to 31 December 2022 HK\$'000	Balance as at 31 December 2022 HK\$'000
General working capital of the Group	6,760	(6,760)	–
Possible investments	1,000	(1,000)	–
	7,760	(7,760)	–

For further details, please refer to the announcements of the Company dated 13 July 2020, 27 July 2020 and 29 September 2021.

The rights issue on 12 December 2020 (the “2020 Rights Issue”)

On 16 October 2020, the Company entered into the underwriting agreement with the underwriter for the proposed rights issue of not less than 130,832,727 rights shares (the “Rights Share(s)”) at the subscription price of HK\$0.18 per Rights Share on the basis of one (1) Rights Share for every three (3) existing Shares in issue (the “Rights Issue”). The Rights Issue transaction had been completed on 14 December 2020, and an aggregate of 130,832,727 new shares had been allotted and issued by the Company.

The gross proceeds from the Rights Issue were approximately HK\$23,500,000. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, were approximately HK\$20,950,000. The net proceeds from the Rights Issue were intended to be used for general working capital of the Group including (i) potential new projects as to approximately HK\$12,550,000; and (ii) operating expenses as to approximately HK\$8,400,000. The utilisation of the net proceeds from the Rights Issue was summarised as follows:

	Allocation of net proceeds HK\$'000	Amount utilised up to 31 December 2022 HK\$'000	Balance as at 31 December 2022 HK\$'000
Potential new projects	12,550	(12,550)	–
Operating expenses	8,400	(8,400)	–
	20,950	(20,950)	–



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

For further details, please refer to the announcements of the Company dated 16 October 2020, 20 November 2020, 11 December 2020 and 29 September 2021 and the prospectus of the Company dated 20 November 2020.

The placing of new shares under general mandate (the “2022 Placing”) on 13 October 2022

On 5 September 2022, the Company entered into the placing agreement with the placing agent, pursuant to which the Company agreed to place through the placing agent, on a best-effort basis, up to 104,666,181 new Shares to not less than six independent placees at the placing price of HK\$0.238 per placing Share.

On 13 October 2022, all the conditions set out in the placing agreement had been fulfilled and the completion of the placing took place on 13 October 2022. An aggregate of 104,666,181 new Shares had been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.238 per placing Share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing were approximately HK\$24,000,000, which the Company intended to apply the net proceeds (i) for repayment of current liabilities; and (ii) for general working capital of the Group, including but not limited to existing and new energy saving projects, possible investment, administrative expenses and salary and wages. The utilisation of the net proceeds from the placing of new Shares was summarised as follows:

	Allocation of net proceeds HK\$'000	Amount utilised up to 31 December 2022 HK\$'000	Balance as at 31 December 2022 HK\$'000
Repayment of current liabilities	12,000	–	12,000 ^{Note}
General working capital of the Group	12,000	(12,000)	–
	24,000	(12,000)	12,000

For further details, please refer to the announcements of the Company dated 5 September 2022, 29 September 2022 and 13 October 2022.

Note:

Subsequent to the financial reporting date, the Group utilised the portion of repayment of current liabilities of amount approximately HK\$10 million to repay of current liabilities of other borrowing. Details please refer to the paragraph of Repayment of other borrowing in Events After Reporting Period in page 12 of this report.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)**EVENTS AFTER REPORTING PERIOD****The rights issue completed on 16 January 2023 (the “2023 Rights Issue”)**

On 28 November 2022, the Company entered into the underwriting agreement with the underwriter for the proposed rights issue of not less than 313,998,544 rights shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.10 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares in issue (the “**Rights Issue**”). The Rights Issue transaction had been completed on 16 January 2023, and an aggregate of 313,998,544 new shares had been allotted and issued by the Company. As at 27 March 2023, the Company’s number of issued ordinary shares was 941,995,663.

The gross proceeds from the Rights Issue were approximately HK\$31,400,000. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, were approximately HK\$29,200,000. The net proceeds from the Rights Issue were intended to be used (i) approximately HK\$17,500,000 for repayment of the outstanding borrowings; (ii) approximately HK\$8,000,000 for existing and new energy saving projects; and (iii) the remaining amount for general working capital of the Group. The utilisation of the net proceeds from the Rights Issue was summarised as follows:

	Allocation of net proceeds HK\$’000	Amount utilised up to 15 March 2023 HK\$’000	Balance as at 15 March 2023 HK\$’000
Repayment of the outstanding borrowings	17,500	(17,500)	–
Existing and new energy saving projects	8,000	(8,000)	–
General working capital of the Group	3,700	–	3,700
	29,200	(25,500)	3,700

Details of the Rights Issue were set out in the announcements of the Company dated 28 November 2022, 20 December 2022 and 13 January 2023 and the prospectus of the Company dated 20 December 2022.

It is expected that the balance of net proceeds of approximately HK\$3,700,000 as intended for general working capital of the Group will be utilised by the end of December 2024.

Repayment of other borrowing

Subsequent to the financial reporting date, the Group settled its other borrowing including outstanding loan principal and accrued interests in aggregate amount of approximately HK\$27.8 million on 14 March 2023.

Except for above mentioned, there were no material events occurred after the financial reporting date.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK AND PROSPECT

Going forward, the Company considers green technology and the environmental service industry to remain the two key focus markets of the PRC government.

Weldtech Group will continue to target potential customers for sizable buyout projects and explore secondary sales from existing customers, enhancing the portfolio of the Company. Also, Weldtech Group will continue to develop new reusable energy platforms as well as get new orders in construction/engineering-related projects in order to expand the Group's business. Our team has worked hard to secure contracts in order to keep the business momentum during the pandemic.

On the other hand, following up on the outstanding receivables is still one of the top priorities for the management in 2023. Weldtech Group will remain cautious, especially in terms of project screening and evaluating the impact of the pandemic as well as the financial squeeze on customers' business and financial position in order to secure recoverability.

The Group will continue to explore and capture business opportunities in the green technology sector, including HVAC energy saving projects and also the related construction, clean energy procurement, sales, and solutions. The Company is actively seeking and exploring other business opportunities in other sectors in the PRC as well as outside the PRC, if appropriate. As stated in the announcement dated 17 January 2023, CCIAM Coating Company Limited ("**CCIAM Coating**"), a wholly-owned subsidiary of the Company, is currently in negotiations in respect of potential co-operations and/or joint venture with certain potential strategic business partners based in Hong Kong, Europe and the PRC respectively to explore business opportunities in the segment of supply of energy saving devices, low carbon services products, and the development and management of carbon sink resources, agricultural and forestry development in Asia including the PRC.

Our management team will continue to explore various funding sources, including project financing, debt financing and/or equity fundraising, to provide adequate financial resources to support the Group's existing businesses as well as capture and develop new business opportunities.

Management expects that although there will be an improvement in the PRC and the global economy in 2023, the Group still will have to face challenges and disruptions in view of the uncertainties. Also, it is expected that market sentiment in the energy saving industry will take time to resume back to normal. Notwithstanding these challenges, Management believes the situation will improve as 2023 progresses.



BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Lut Tim (“Mr. Cheng”), aged 67, was appointed as an executive director of the Company on 19 December 2020. Mr. Cheng obtained a bachelor’s degree in international relations. He is the executive director of China Finance Fund. He was the assistant researcher, vice president of Bank of China Trust Company, vice president of Shenzhen Travel Service Co., Ltd., and a director of Shanghai Yongsheng Co. Ltd.

Mr. Chong Kok Leong (“Mr. Chong”), aged 59, was appointed as an executive director of the Company on 1 October 2015. Mr. Chong has also been appointed as a director of certain subsidiaries of the Company. Mr. Chong has over 33 years of senior management experience with multinational companies in the Asia Pacific Region, of which 18 years have been in China. The management expertise of Mr. Chong has been with sales & marketing and channel development at regional and country levels, with key responsibilities covering sales & marketing, business strategies and channel development. Prior to joining the Company, Mr. Chong has been the Managing Partner of a successful digital solution and media network company based in Shanghai. From June 2009 to April 2013, Mr. Chong was the Managing Director of PC-Ware (Beijing) Commercial Co., Ltd., where its parent company PC-Ware GmbH was the second largest software distribution and IT solution company in Europe. From February 2006 to April 2009, Mr. Chong worked as the General Manager (Software Division) and the Senior Business Development Director of China of Ingram Micro Asia Holdings Limited, a B2B technology company. From 1996 to 2006, Mr. Chong worked at Hewlett-Packard Asia Pacific, primarily responsible for its channel development in China and South & South East Asian markets. Mr. Chong graduated with a Bachelor’s Degree in Engineering (Mechanical) from the National University of Singapore in 1988, obtained a Master’s Degree in Business Administration from Monash University in Melbourne, Australia in 1993, and was admitted as member of the CPA Australia in 1995.

Mr. Zhuang Miao Zhong (“Mr. Zhuang”), aged 54, was appointed as an executive director of the Company on 16 January 2017. Mr. Zhuang also has been appointed as a director of certain subsidiaries of the Company. He has over 15 years of work experience in petroleum industry, which includes working in state-owned enterprises in China, overseas corporations and large-scale enterprises. Mr. Zhuang has extensive knowledge and contacts within this field.



BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Hiu Fai, Eric (“Mr. Choy”), aged 45, was appointed as an independent non-executive director of the Company on 8 July 2016. He was also appointed as the chairman of each of the nomination and remuneration committees of the Company, with effect from 1 November 2017 and the chairman of audit committee of the Company with effect from 1 September 2020. He has more than 18 years of experience working in accounting firms in Hong Kong, including one of the Big 4 CPA firms. Mr. Choy graduated from The University of Hong Kong with a degree in Business Administration in 2000. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and American Institute of CPAs.

Mr. Choy is currently an independent non-executive director of Wing Fung Group Asia Limited (stock code: 8526), a company listed on GEM of the Stock Exchange.

Mr. Lam Yau Fung, Curt (“Mr. Lam”), aged 54, was appointed as an independent non-executive director, a member of each of the audit, nomination and remuneration committees of the Company on 19 October 2020. Mr. Lam is the General Manager of Wanda Hotel Development Company Limited (stock code: 00169) which is listed on the Main Board of the Stock Exchange, and a member of the Dalian Wanda Group. He has been appointed as an independent non-executive director of Asia Allied Infrastructure Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 00711) since January 2017 and of OOH Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 08091) since August 2019. He was an executive director of Yuexiu Property Company Limited (stock code: 00123), a company listed on the Main Board of the Stock Exchange, and also the chief financial officer of the Yue Xiu Group. Mr. Lam was previously the head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (now known as GOME Retail Holdings Limited) (stock code: 00493) (“GOME”), one of China’s largest electronics retailers, which is listed on the Main Board of the Stock Exchange. Prior to joining GOME, he spent about 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr. Lam is a Chartered Financial Analyst (CFA) and holds a Master of Business Administration (MBA) degree from Rice University in the United States. He has extensive experience in corporate finance, financial and accounting fields.

Mr. Yeung Wai Hung, Peter (“Mr. Yeung”), aged 65, was appointed as an independent non-executive director, the members of audit, remuneration and nomination committees of the Company on 1 February 2023. Mr. Yeung was an independent non-executive director of the Company from February 2011 to June 2018. He was also an independent non-executive director of Chinese Food and Beverage Group Limited since December 2013 until his resignation upon its cancellation of listing on GEM of the Stock Exchange on 13 July 2021. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the High Court of Hong Kong. Mr. Yeung is a partner of Hau, Lau, Li & Yeung solicitors and has been practicing as a solicitors for over 33 years.

Mr. Yeung is currently an independent non-executive director of CircuTech International Holdings Limited (stock code: 8051), a company listed on GEM of the Stock Exchange.



DIRECTORS' REPORT

The directors of the Company (the "**Director(s)**") present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Year**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions. The principal activities and other particulars of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activities for the Year is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW AND COMMENTARY

Financial Results

The financial results and business review of the Group for the Year is set out in this annual report on the section of "Management Discussion and Analysis" from pages 3 to 13.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost-effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to senior management as early as possible so that appropriate risk response can be taken.



DIRECTORS' REPORT (continued)

BUSINESS REVIEW AND COMMENTARY (continued)

Market Risks

PRC government policy

The energy saving industry is identified as one of the key industries and is backed by the PRC government, the PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and aim to cut energy intensity. While the PRC government remains supportive in the area of energy saving and environment protection, there is no assurance that the PRC government will continue to pursue favorable policies towards the energy saving industry, or its favorable policies will not change in the future in a manner adverse to our business. In view of the Weldtech Group's reliance on government support and incentives for its business, any revision, change or abolition of the PRC government's policies towards the energy saving industry could have an adverse effect on the business, financial condition and results of operations of the Group.

PRC economic downturn

Weldtech Group generates its revenue mainly from the sale of its products to commercial and industrial buildings in the PRC. Demand for Weldtech Group's products depends on capital expenditure of commercial and industrial buildings on energy savings and the existence of service requirements. Any period of economic downturn in the PRC would reduce market demand for energy management systems, and a prolonged decline in market demand would have an adverse effect on the business, financial condition and results of operations of the Group.

Market competition

Weldtech Group faces competition against other energy saving service providers. Therefore, there is no assurance that the Weldtech Group will be able to compete successfully against its current and future competitors.

Financial Risk

In the course of its business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark to market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 5 to the consolidated financial statements.

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 business goals. During the Year, there were no significant dispute between the Group and its employees, customers and suppliers.

Environmental Policy and Performance

The Group has strong commitment towards environmental protection. It is the Group's policy to encourage and promote awareness towards environmental protection to our employees. It has implemented green office practices such as double-sided printing and copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance in the Group's offices.

The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability.



DIRECTORS' REPORT (continued)

BUSINESS REVIEW AND COMMENTARY (continued)

Compliance with Laws and Regulations

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of an indication of the likely future developments in the Group's business, the Group's environmental policy and performance, can be found in the "Management Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Summary of Financial Information" sections of this annual report. The above sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 66.

The Directors do not recommend the payment of a final dividend for the Year (2021: Nil). No interim dividend was declared for the Year.

DONATIONS

The Group did not make any charitable donations during the Year (2021: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 144.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserves available for distribution, calculated in accordance with the provisions of Part 16 of the Companies Ordinance (2021: Nil).



DIRECTORS' REPORT (continued)

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance the shareholders' value. The following parameters/factors shall be considered by the board of Directors (the "**Board**") for declaration of dividend:

- Circumstances under which the shareholders of the Company (the "**Shareholders**") may or may not expect dividend;
- Financial parameters/factors that shall be considered for declaration of dividend;
- Internal and external factors that shall be considered for declaration of dividend;
- Utilization of retained earnings; and
- Multiple classes of Shares.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's articles of associations (the "**Articles of Associations**").

The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the Year are set out in the Consolidated Statement of Changes in Equity on page 69 and note 31 to the consolidated financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.



DIRECTORS' REPORT (continued)

DIRECTORS

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

Executive Directors:

Mr. Cheng Lut Tim
Mr. Chong Kok Leong
Mr. Zhuang Miao Zhong

Independent Non-executive Directors:

Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi (passed away on 18 December 2022)
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)

In accordance with Article 110 of the Articles of Association, Mr. Yeung Wai Hung, Peter will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with Article 120 of the Articles of Association, Mr. Cheng Lut Tim and Mr. Chong Kok Leong, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SERVICE CONTRACT OF DIRECTORS

Each of Mr. Cheng Lut Tim, Mr. Chong Kok Leong and Mr. Zhuang Miao Zhong has entered into a service contract/letter of appointment with the Company for a term of one year.

Each of Mr. Choy Hiu Fai, Eric, Mr. Lam Yau Fung, Curt and Mr. Yeung Wai Hung, Peter has entered into a letter of appointment with the Company for a term of one year.



DIRECTORS' REPORT (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2022, the interests or short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of number of Shares in issue ⁽²⁾
Mr. Cheng Lut Tim	Interest of controlled corporation	38,000,000 ⁽¹⁾	6.05%
Mr. Lam Yau Fung, Curt	Interest of controlled corporation	1,072,000	0.17%

Notes:

(1) The Shares are held by Excellent Winning Investment Limited, Mr. Cheng Lut Tim is interested in Excellent Winning Investment Limited. Mr. Cheng is therefore deemed to be interested in 38,000,000 Shares held by Excellent Winning Investment Limited under the SFO.

(2) As at 31 December 2022, the Company's number of issued Share was 627,997,089.

(ii) Long positions in share options of the Company

Name of Director	Number of share options beneficially owned
Mr. Chong Kok Leong	1,274,789
Mr. Zhuang Miao Zhong	509,911
Mr. Choy Hiu Fai, Eric	50,997
Mr. Huang Lizhi ⁽¹⁾	50,997

Note:

1. Reference is made to the Company's announcement dated 23 December 2022. Mr. Huang Lizhi ("Mr. Huang") passed away in the PRC on 18 December 2022. Under Clause 6.03(c) of the Share Option Scheme, the legal personal representative(s) of Mr. Huang may exercise Mr. Huang's share options until 15 December 2023.

* Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" of the Directors' Report.



DIRECTORS' REPORT (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION (continued)

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the Shareholders on 25 May 2018 (the "**Share Option Scheme**") which shall be valid and effective for a period of ten years from the date of adoption. Accordingly, the Share Option Scheme will be expired on 25 May 2028.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Director), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the "**Individual Limit**"), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options must be approved by the Shareholders.

A consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be accepted by a participant within 7 days from the date of the offer of grant of the option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.



DIRECTORS' REPORT (continued)**SHARE OPTION SCHEME** (continued)

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued shares of the Company from time to time.

The maximum number of Shares which may be allotted and issued upon the exercise of all share options shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the "**Scheme Mandate Limit**"), and the existing Scheme Mandate Limit was refreshed and approved by the Shareholders in the AGM on 15 June 2020.

On 19 June 2020, a total of 116,203,500 options had been granted at an exercise price of HK\$0.066 per Share under the Scheme Mandate Limit.

In respect to the share options granted on 19 June 2020, the closing price of the shares immediately before the date of grant was on which the options were granted was HK\$0.055 per share. The estimated fair value of the share options granted was measured based on Binomial Option Pricing Model, further details of which were given in note 33 to the financial statements of the 2020 Annual Report. The aggregate value of share options granted to each class of grantees was approximately HK\$2,900,000, comprising HK\$518,000 to Directors and HK\$2,382,000 to employees. During the year ended 31 December 2020, the group recognised equity-settled share-based payment of approximately HK\$2,900,000 in relation to the share options granted by the Company. The details of the estimated fair value of the share options granted is set out below:

Grantees	Position	Number of share option granted	Estimated fair value of share option granted HK\$
Chong Kok Leong	Executive Director	12,678,600	340,000
Zhuang Miao Zhong	Executive Director	5,071,400	136,000
Choy Hiu Fai, Eric	Independent Non-executive Director	507,200	14,000
Huang Lizhi	Independent Non-executive Director	507,200	14,000
Ng Kay Kwok	Independent Non-executive Director	507,200	14,000
Employees		96,931,900	2,382,000
Total		116,203,500	2,900,000



DIRECTORS' REPORT (continued)

SHARE OPTION SCHEME (continued)

The exercise prices and the total number of share options were adjusted subsequently as follows:

The Company had completed Share Consolidation on 26 August 2020. Adjustments were made to the exercise prices and the number of Consolidated Shares falling to be issued in respect of the outstanding Share Options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. As a result of the Share Consolidation, the exercise price of share options outstanding was adjusted to HK\$0.66 per Consolidated Share and the total number of share options outstanding was adjusted to 11,620,350 Consolidated Shares.

The Company had also completed Rights Issue on 14 December 2020. Adjustments were made to the exercise prices and the number of Shares falling to be issued in respect of the outstanding Share Options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. As a result of the completion of Rights Issue, the exercise price of share options outstanding was adjusted to HK\$0.656 per Share and the total number of share options outstanding was adjusted to 11,683,849 Shares with effect from 14 December 2020.

As at 31 December 2022, the total number of Shares which may fall to be allotted and issued pursuant to the exercise of share options that may be granted under the refreshed Scheme Mandate Limit together with all outstanding share options granted and yet to be exercised, being a total of 58,683,232 Shares, representing 9.34% of the issued share capital of the Company, do not exceed the 30% limit.



DIRECTORS' REPORT (continued)

SHARE OPTION SCHEME (continued)

Details of the share options movements during the Year under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Outstanding as at 01.01.2022	Number of share options				Outstanding as at 31.12.2022	Validity period of share options	Exercise price (Note 1) (Note 2)
			Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year			
Directors									
Mr. Chong Kok Leong	19.06.2020	1,274,789	-	-	-	-	1,274,789	01.01.2021 to 31.12.2025	HK\$0.656
Mr. Zhuang Miaozhong	19.06.2020	509,911	-	-	-	-	509,911	01.01.2021 to 31.12.2025	HK\$0.656
Mr. Choy Hiu Fai, Eric	19.06.2020	50,997	-	-	-	-	50,997	01.01.2021 to 31.12.2025	HK\$0.656
Mr. Huang Lizhi (Note 3)	19.06.2020	50,997	-	-	-	-	50,997	01.01.2021 to 31.12.2025	HK\$0.656
Subtotal		1,886,694	-	-	-	-	1,886,694		
Employees	19.06.2020	6,253,245	-	-	1,789,797	-	4,463,448	01.01.2021 to 31.12.2025	HK\$0.656
Total		8,139,939	-	-	1,789,797	-	6,350,142		

Notes:

- Reference is made to the Company's announcement dated 24 August 2020. On 26 August 2020, the exercise price and number of share options had been adjusted from HK\$0.066 to HK\$0.66, and from 116,203,500 shares to 11,620,350 shares, respectively, as a result of the Share Consolidation.
- Reference is made to the Company's announcement dated 11 December 2020. On 14 December 2020, the exercise price and number of share options had been adjusted from HK\$0.66 to HK\$0.656, and from 11,620,350 shares to 11,683,849 shares, respectively, as a result of the completion of Rights Issue.
- Reference is made to the Company's announcement dated 23 December 2022. Mr. Huang Lizhi ("Mr. Huang") passed away in the PRC on 18 December 2022. Under Clause 6.03(c) of the Share Option Scheme, the legal personal representative(s) of Mr. Huang may exercise Mr. Huang's share options until 15 December 2023.



DIRECTORS' REPORT (continued)**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed under the sections headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION" above, at no time during the Year did there subsist any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this report, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong are directors of certain subsidiaries of the Company.

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

As at 31 December 2022, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Approximate percentage of number of Shares in issue (Note 1)
Shi Xin Maternal and Child Growth Center Limited (Note 2)	Trustee of a trust	105,815,008 (L)	16.85%
Shi Xin Biotechnology Limited (Note 2)	Interest of controlled corporation	105,815,008 (L)	16.85%
Shi Xin Eco-Maternal Care Limited (Note 2)	Beneficiary of a trust	105,815,008 (L)	16.85%
Shi Xin Academy Limited (Note 2)	Interest of controlled corporation	105,815,008 (L)	16.85%
Fang Dengxing (Note 2)	Interest of controlled corporation	105,815,008 (L)	16.85%
Yeung Tsz Tsung Ryan (Note 3)	Interest of controlled corporation	44,000,000 (L)	7.01%
BIONIC INTERNATIONAL LIMITED (Note 3)	Beneficial owner	44,000,000 (L)	7.01%
Hong Kong Mengzai Material Co., Limited	Beneficial owner	38,441,600 (L)	6.12%
Cheng Lut Tim (Note 4)	Interest of controlled corporation	38,000,000 (L)	6.05%
Excellent Winning Investment Limited (Note 4)	Beneficial owner	38,000,000 (L)	6.05%
Liu Chee Ming (Note 5)	Interest of controlled corporation	33,736,557 (L)	5.37%
Keltyhill Incorporated (Note 5)	Interest of controlled corporation	33,736,557 (L)	5.37%
Platinum Holdings Company Limited ("Platinum") (Note 5)	Interest of controlled corporation	33,736,557 (L)	5.37%
Timly Way Limited (Note 5)	Beneficial owner	33,736,557 (L)	5.37%
Leung King Yuen	Beneficial owner	32,000,000 (L)	5.10%

(L) denotes the long position held in the Shares



DIRECTORS' REPORT (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

- (1) As at 31 December 2022, the Company's number of issued Share was 627,997,089.
- (2) On 15 July 2022, the Company was informed by CITIC International Assets Management Limited ("Transferor"), the former substantial shareholder of the Company, that they reached an agreement with Shi Xin Eco-Maternal Care Limited on the sale of 105,815,008 shares of the Company at a total consideration of HK\$25,000,000 (the "Share Transaction"). Simultaneous with the Share Transaction, an assignment agreement will be signed in relation to the transfer and assignment of the outstanding sum comprising outstanding principal and accrued interests in the aggregate amount of RMB23,971,716 ("Loan Assignment") due from 濠信節能科技(上海)有限公司, a subsidiary of the Company, to 事安信(北京)投資管理有限公司, a subsidiary of the Transferor, for a separate consideration and both transactions shall be conditional on each other to the effect that they shall be completed at the same time.

On 9 December 2022, the Company was informed by CITIC International Assets Management Limited that the Share Transaction and the Loan Assignment were completed. Upon the completion of the Share Transaction, Shi Xin Eco-Maternal Care Limited, as beneficiary, has authorized its indirect wholly-owned subsidiary, Shi Xin Maternal and Child Growth Center Limited, to hold the Shares as trustee. To the best of the Directors' knowledge and available information, Shi Xin Maternal and Child Growth Center Limited is wholly-owned by Shi Xin Biotechnology Limited, which in turn is wholly owned by Shi Xin Eco-Maternal Care Limited, and Shi Xin Eco-Maternal Care Limited is wholly-owned by Shi Xin Academy Limited. The beneficial owner of Shi Xin Maternal and Child Growth Center Limited, Shi Xin Biotechnology Limited, Shi Xin Eco-Maternal Care Limited and Shi Xin Academy Limited is Mr. Fang Dengxing.

- (3) Mr. Yeung Tsz Tsung Ryan is interested in BIONIC INTERNATIONAL LIMITED. By virtue of the SFO, Mr. Yeung Tsz Tsung Ryan is deemed to be interested in the shares held by BIONIC INTERNATIONAL LIMITED.
- (4) Mr. Cheng Lut Tim is interested in Excellent Winning Investment Limited. By virtue of the SFO, Mr. Cheng Lut Tim is deemed to be interested in the shares held by Excellent Winning Investment Limited.
- (5) Timly Way Limited is a wholly-owned subsidiary of Platinum, which is owned as to 42.13% by Keltyhill Incorporated, which is owned by Mr. Liu Chee Ming. By virtue of the SFO, each of Mr. Liu Chee Ming, Keltyhill Incorporated and Platinum is deemed to be interested in the shares held by Timly Way Limited.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her core connected persons had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken during the Year are provided under note 36 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the Listing Rules.



DIRECTORS' REPORT (continued)

EQUITY-LINKED ARRANGEMENTS

Except for share options granted issued as more particularly disclosed in note 35 to the consolidated financial statements of the Company, the Company had no other equity-linked arrangements during the Year and subsisted as at 31 December 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The Directors' emoluments are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the emolument of the senior management of the Company by band is set in note 14 to the consolidated financial statements of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's revenue attributed to the five largest customers accounted for approximately 91.4% of the Group's total revenue while the Group's revenue attributed to the largest customer accounted for approximately 53.4% of the Group's total revenue.

During the Year, the Group's cost of sales attributed to the five largest suppliers accounted for approximately 97.4% of the Group's total cost of sales while the Group's cost of sales attributed to the largest supplier accounted for approximately 52.7% of the Group's total cost of sales.

To the best knowledge of the Directors, none of the Directors, their respective close associates; or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued shares) has interests in these customers and suppliers.



DIRECTORS' REPORT (continued)

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the Year are set out in note 11 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed sufficient public float during the Year and up to the date of this report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by Directors is currently in force and was in force throughout the Year.

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM. There has been no change in the Company's auditors in the preceding three years.

For and on behalf of the Board

Chong Kok Leong

Executive Director

Hong Kong, 27 March 2023



CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of Shareholders' value.

CORPORATE GOVERNANCE CODE

Throughout the Year, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules of the Stock Exchange save for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive ("**CE**") should be separate and should not be performed by the same individual. The Company did not appoint any chairman or CE during the Year, reason being the functions of the chairman and CE are performed by the three executive Directors collectively. The Board will review the current practice from time to time and make appropriate changes if considered necessary. For details, please refer to the section headed "Chairman and Chief Executive Officer".

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a chairman, no such meeting was held in the Year.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some Directors were absent from the last annual general meeting of the Company held on 2 June 2022 due to their other important engagements at the relevant time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change in the Company's constitutional documents.

ESG POLICIES AND PERFORMANCE

Throughout the Year, the Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide. Information about the Company's ESG policies and performance is set out in the Environmental, Social and Governance Report on page 45.



CORPORATE GOVERNANCE REPORT (continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed chairman and chief executive officer, and the roles and functions of those have been performed by three executive Directors collectively, including but not limited to: properly briefing on issues arising at board meeting by the chairman of the meeting; ensuring good corporate governance practices and procedures are established; encouraging other Directors to make a full and active contribution to the Board's affairs and ensuring that it acts in the best interests of the Group; encouraging every Director with different views to voice their concerns; allowing sufficient time for discussion of issues and ensuring that Board decision fairly reflect Board consensus; providing effective communication with shareholders and that their views are communicated to the Board as a whole; promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular; ensuring constructive relations between executive Directors and non-executive Directors; and managing the day-to-day business of the Company. The Board believes that the Directors have their unique expertise and functions well within the Company.

The company secretary of the Company (the “**Company Secretary**”) assists the Board in setting out and finalizing the agenda, after taking into account any matters proposed by any other Directors and ensure adequate information being received by the Directors in a timely manner in advance of the intended meeting date and ensuring good corporate governance practices and procedures are in place.

The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experience and high caliber individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS

The Board currently comprises six Directors, with three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:

Mr. Cheng Lut Tim
Mr. Chong Kok Leong
Mr. Zhuang Miao Zhong

Independent Non-executive Directors:

Mr. Choy Hiu Fai, Eric
Mr. Lam Yau Fung, Curt
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)

The brief biographical details of the Directors are set out in the “BIOGRAPHICAL DETAILS OF DIRECTORS” section from pages 14 to 15. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The independent non-executive Directors, with sound professional expertise and experience, have actively participated in the Board and committee meetings and brought independent judgment on issues relating to the Group's strategy, performance and management process. They have also taken up various roles in the Board committees.



CORPORATE GOVERNANCE REPORT (continued)**BOARD OF DIRECTORS** (continued)

As at the date of this report, the Company has three independent non-executive Directors representing not less than one-third of the Board with at least one of the independent non-executive Directors has the appropriate professional qualifications or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his independence and considers that all the independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors have been expressly identified as such in all corporate communications and the website of the Company that disclose the names of Directors. The independent non-executive Directors were appointed for a fixed term, subject to retirement by rotation and re-election requirements under the Articles of Association.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results.

During the Year, the Board passed several written resolutions and held seven Board meetings and one AGM. Details of the attendance of the Directors are as follows:

	Attendance of	
	Board meetings	Annual general meeting
Executive Directors:		
Mr. Cheng Lut Tim	7/7	0/1
Mr. Chong Kok Leong	7/7	0/1
Mr. Zhuang Miao Zhong	7/7	0/1
Independent Non-executive Directors:		
Mr. Choy Hiu Fai, Eric	7/7	1/1
Mr. Huang Lizhi (passed away on 18 December 2022)	7/7	0/1
Mr. Lam Yau Fung, Curt	7/7	1/1
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)	N/A	N/A

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, financial performance, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors.



CORPORATE GOVERNANCE REPORT (continued)

BOARD OF DIRECTORS (continued)

Each year, Board meetings, which are scheduled in advance to facilitate maximum attendance of Directors, are held as required by business needs. At least 14 days' notice of a Board meeting is given to all Directors for the regular meetings who are given an opportunity to include matters for discussion in the agenda. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, any transaction which involves a conflict of interests with a substantial shareholder or a Director and is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Articles of Association also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein. In addition, he has to declare his interests therein in accordance with the Articles of Association.

Every Director is entitled to have access to board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be updated continuously on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

INDEPENDENT NON-EXECUTIVE DIRECTOR/NON-EXECUTIVE DIRECTOR

All independent non-executive Directors and non-executive Directors were appointed for a specific term with effect from their respective appointment dates. All of them are subject to the relevant provisions in the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Directors appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following AGM and, in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established three committees; namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee of the Company (the "**Audit Committee**"). Each of them has its specific written terms of reference or guidelines. Copies of minutes of all meetings and resolutions of the committees, which are duly kept by the Company, are circulated to all committee members. The committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 31 to 33 in the section "BOARD OF DIRECTORS" above, have been adopted for the committee meetings as far as practicable.



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Nomination Committee

The Nomination Committee has been established since June 2005. As at the date of this report, the Nomination Committee comprises three independent non-executive Directors namely, Messrs. Choy Hiu Fai, Eric (chairman of the Nomination Committee), Lam Yau Fung, Curt and Yeung Wai Hung, Peter.

The major roles and functions of the Nomination Committee are:

- (i) to review the structure, size, composition and diversity (including but not limited to skills, knowledge, gender, age, cultural and educational background or professional experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) to identify suitably qualified individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships on merits and against objective criteria, with due regard on the benefits of diversity on the Board;
- (iii) to assess the independence of independent non-executive Directors;
- (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;
- (v) to review the Board Diversity Policy and the Nomination Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy and the Nomination Policy and the progress on achieving the objectives, and make disclosure of its review results in the Corporate Governance Report annually;
- (vi) to perform its duties with sufficient resources made available to it and seek independent professional advice, at the Company's expense, to perform its responsibilities when necessary;
- (vii) to do any such things to enable the Committee to perform its powers and functions conferred on it by the Board; and
- (viii) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The terms of reference of the Nomination Committee were adopted in June 2005 and lately, revised on 31 December 2018 and have been posted on the Stock Exchange's website and the Company's website.



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

During the Year, the Nomination Committee held four meetings to make recommendations to the Board on the re-appointment of Directors, the review of the existing structure, size, composition and diversity of the Board, the re-election of retiring Directors and independence of independent non-executive Directors.

The attendance of each Nomination Committee member is set out as follows:

Nomination Committee members	Number of Nomination Committee meetings attended/ eligible to attend
Mr. Choy Hiu Fai, Eric (<i>Chairman</i>)	4/4
Mr. Huang Lizhi (passed away on 18 December 2022)	4/4
Mr. Lam Yau Fung, Curt	4/4
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)	N/A

Nomination Policy

The nomination policy of the Group (the "**Nomination Policy**") is in place and was adopted in writing in the Year taking into consideration the revised Listing Rules effective from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Remuneration Committee

The Remuneration Committee has been established since June 2005. As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors namely, Messrs. Choy Hiu Fai, Eric (chairman of the Remuneration Committee), Lam Yau Fung, Curt and Yeung Wai Hung, Peter. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

- (i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (iii) to make recommendations to the Board on the remuneration of non-executive Directors;
- (iv) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (vii) to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- (viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- (ix) to ensure that the Company shall disclose details of any remuneration payable to the senior management in the annual reports.



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The terms of reference of the Remuneration Committee were adopted in June 2005 and lately, revised on 28 March 2013 and have been posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee shall meet at least once a year. During the Year, the Remuneration Committee held four meetings to review the remuneration packages of the Board, the re-appointment of executive Directors and independent non-executive Directors and review the existing remuneration packages of the Board.

The attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee members	Number of Remuneration Committee meetings attended/ eligible to attend
Mr. Choy Hiu Fai, Eric (<i>Chairman</i>)	4/4
Mr. Huang Lizhi (passed away on 18 December 2022)	4/4
Mr. Lam Yau Fung, Curt	4/4
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)	N/A

The remuneration payable to Directors will depend on their respective contractual terms under their service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Messrs. Choy Hiu Fai, Eric (chairman of the Audit Committee), Lam Yau Fung, Curt and Yeung Wai Hung, Peter. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the Year, the Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021 and the interim financial report for the six months ended 30 June 2022, including the accounting principles and practice adopted by the Group.

The audited final results for the Year has been reviewed by the Audit Committee. The major roles and functions of the Audit Committee are:

- (i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (iii) to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (iv) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
- (v) to review the Company's financial reporting systems, risk management and internal control systems;



CORPORATE GOVERNANCE REPORT (continued)

BOARD COMMITTEES (continued)

Audit Committee (continued)

- (vi) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (vii) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (viii) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (ix) to review the Group's financial and accounting policies and practices;
- (x) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (xi) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (xii) to report to the Board on the matters set out in the CG Code; and
- (xiii) to consider other topics, as defined by the Board.

The terms of reference of Audit Committee were adopted in January 2009 and lately, revised on 31 December 2018 and have been posted on the Stock Exchange's website and the Company's website.

The Audit Committee shall meet at least twice a year. During the Year, the Audit Committee held three meetings.



CORPORATE GOVERNANCE REPORT (continued)**BOARD COMMITTEES** (continued)**Audit Committee** (continued)

During the Year, the Audit Committee had performed the work as summarised below:

- (i) recommended to the Board for the re-appointment of the Group's auditors for the Year;
- (ii) reviewed the letter of representation and the financial statements for the year ended 31 December 2021 and recommended the same to the Board for approval;
- (iii) reviewed the financial statements for the six months ended 30 June 2022 and recommended the same to the Board for approval;
- (iv) discussed the effectiveness of the internal control and risk management systems throughout the Group, including financial, operational and compliance controls;
- (v) discussed the engagement of professional party for the environmental, social and governance reporting of the Group; and
- (vi) met with the auditors of the Company regarding the pre-audit matters for preparation of the audited financial statements for the Year.

The attendance of each Audit Committee member is set out as follows:

Audit Committee members	Number of Audit Committee meetings attended/ eligible to attend
Mr. Choy Hiu Fai, Eric (<i>Chairman</i>)	3/3
Mr. Huang Lizhi (passed away on 18 December 2022)	3/3
Mr. Lam Yau Fung, Curt	3/3
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)	N/A



CORPORATE GOVERNANCE REPORT (continued)

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Companies Ordinance were complied with. The financial statements were prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, HLB, are set out in the Independent Auditors' Report on pages 61 to 65.

Internal Control and Risk Management Systems

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee considers the adequacy of resources, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting functions.

The management of the Group is responsible for designing, maintaining, implementing and monitoring the risk management and internal control system to ensure adequate control is in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle all significant risks associated with the business of the Group. The Board conducts annual review on any significant change of the business environment and establish procedures to respond the risks resulting from significant change in business environment. The risk management and internal control systems are designed to mitigate potential losses of business.

The management identifies risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environment, society and staff. Each type of risks has been assessed and prioritised based on their relevant impact and possibility of occurrence. The relevant risk management strategy will be applied to each type of risks according to the assessment results, and the types of risk management strategy are listed as follows:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;
- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;
- Risk transfer: transfer ownership and liability to a third party.



CORPORATE GOVERNANCE REPORT (continued)

ACCOUNTABILITY AND AUDIT (continued)

Internal Control and Risk Management Systems (continued)

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulting from the risks. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the Year, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. No significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the Year.

The Board considered that, for the Year, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions, were reasonably effective and adequate.

The Company regulates the handling and dissemination of inside information as set out in the code of conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

External Auditors' Remuneration

During the Year, the remuneration payable to the Company's external auditors is set out as follows:

Services rendered for the Group	Fee payable 2022 HK\$'000
Audit services	750

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of the Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.



CORPORATE GOVERNANCE REPORT (continued)

TRAINING FOR DIRECTORS

Every newly appointed Director will receive an information package from the Company on the first occasion of his/her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. In addition, this information package includes material which briefly describes the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with code provision A.6.5 of the CG Code and all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the Year to the Company.

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

Directors	Type of continuous professional development programmes
Mr. Cheng Lut Tim	B
Mr. Chong Kok Leong	B
Mr. Zhuang Miao Zhong	B
Mr. Choy Hiu Fai, Eric	A, B
Mr. Huang Lizhi (passed away on 18 December 2022)	B
Mr. Lam Yau Fung, Curt	B
Mr. Yeung Wai Hung, Peter (appointed on 1 February 2023)	B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

COMPANY SECRETARY

Miss Kwok Pui Ha has been appointed as the Company Secretary since 17 January 2022 up to 14 March 2023. Mr. Chang Kwan Yip, Quillan has been appointed as the Company Secretary since 14 March 2023. Each of them has taken no less than 15 hours of relevant professional training for the Year.



CORPORATE GOVERNANCE REPORT (continued)

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Board or the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Right to put forward proposals at general meeting

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance. Shareholders may put forward proposals at general meeting by sending written notice of their proposals to the Company Secretary. The contact details of the Company are as follows:

Attention: Company Secretary

Address: Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong

Fax: +852 2728 3029

Email: info@ccfe.com.hk



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group regards corporate social responsibilities as one of the core values of its business operations for sustainable development and thus is committed to operate its business in an economic, social and environmentally feasible manner. The Group firmly recognizes the importance of balancing its business objectives with the stewardship of natural environment, the need to meet market demand for resources, and the need to build a more prosperous and sustainable society.

OUR STRATEGY

Our strategy is to fulfil the Group's environmental and social responsibilities through achievements of environmental and social goals in our daily operations.

Objectives

We integrate environmental and social considerations into our business objectives to achieve the following objectives:

Environmental objectives:

- Add environmentally friendly elements in our daily operations;
- Use energy and resources efficiently;
- Reduce greenhouse gas emissions; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and endeavour to provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Support community participation



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Approach

The Group's environmental and social objectives are achieved through the following series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance in a balanced manner;
- Disclose key performance indicators as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

REPORTING BOUNDARY

This environmental, social and governance ("ESG") report, prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules on the Stock Exchange (the "ESG Reporting Guide"), has been reviewed and approved by the Board. It aims to provide a balanced representation of the efforts made by the Group on environmental protection and social responsibility and covers the Group's major operating activities, including treasury investment, provision of loan financing and design and provision of energy saving solutions for the Year. In compliance with the extended disclosure requirements of the applicable ESG Reporting Guide, certain disclosures and key performance indicators together with their comparative figures are added to this report, apart from that, there are no significant changes in the scope of this report from that of ESG report for the year ended 31 December 2021.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

REPORTING PRINCIPLES

This report follows the ESG Reporting Guide and applies the following principles:

Reporting principles	Application in this report
Materiality	The Group's stakeholders are engaged in the identification of ESG issues that matter most from their perspectives. The Group assessed the materiality of those ESG issues based on the corresponding risks posed on the sustainability on the Group's businesses. Material ESG issues were identified and prioritized and are disclosed in this report.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption, where applicable, are disclosed in the respective sections in this report.
Consistency	Unless stated otherwise, the Group applies consistent methodology in compiling the ESG data reported to ensure meaningful comparison of ESG performance over time and between entities. Any change in methods or KPIs used is explained.
Balance	Intentional selections, omissions, or presentation formats that might inappropriately influence a decision or judgment to provide an unbiased picture of our performance are avoided in this report.

GOVERNANCE OF ESG MATTERS

The Board assumes full responsibility for the Group's ESG matters, and is responsible for reviewing ESG-related matters on a regular basis, identifying and assessing related risks, and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems. In addition, the Board of Directors annually reviews the performance of the Group against ESG-related targets and reviews and approves the disclosures in ESG reports.

The Board is responsible for formulating relevant ESG policies and management procedures in line with the Group's environmental and social objectives and implementing daily ESG work across our business operation, including evaluating the stakeholders' needs and expectations with timely response, identifying ESG-related risks and opportunities pertain to the business operations, monitoring the environmental and social performance in our departmental units on a regular basis.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group endeavors to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, contractors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to identify and collect their expectations and concerns regarding significant ESG related matters of the Group's businesses, which are evaluated, prioritised and incorporated into our ESG strategy, including the setting of practicable ESG targets. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings and other business meetings.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)**STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT** (continued)

The material environmental and social issues were identified as follows:

- Employee welfare;
- Environmental compliance;
- Greenhouse gas emissions;
- Supply chain management;
- Occupational health and safety;
- Inclusion and equal opportunities;
- Talent attraction and retention;
- Anti-corruption; and
- Community investment

ENVIRONMENTAL ASPECTS

The Group's business predominantly focuses on the provision of energy saving solutions which involves the design, installation and implementation of the UPPC System. These operations do not have significant impact on the environmental and natural resources thus the Group's emission relating to air, greenhouse gas emissions and discharges into water and land as well as the generation of hazardous and non-hazardous wastes are minimal in the Year. The UPPC System is designed to optimize energy efficiency of customers including but not limited to offices and production plants, thereby aid the preservation of the environment and natural resources.

Energy Consumption and Green House Gas ("GHG") Emissions**Overview of energy consumption**

	2022 kWh	2021 kWh	Variance Increase/ (Decrease)
Energy Consumption			
Electricity	5,342	5,669	(6%)
Energy consumption intensity ¹ Per employee	382	298	28%

Note:

1. Energy consumption intensity is calculated by dividing the total energy consumption by the number of employees. The number of employees for 2022 and 2021 is 14 and 19 respectively.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

ENVIRONMENTAL ASPECTS (continued)

Energy Consumption and Green House Gas (“GHG”) Emissions (continued)

Overview of carbon footprint

GHG Emissions	2022 tCO ₂ e	2021 tCO ₂ e	Variance Increase/ (Decrease)
Scope 2: Indirect emissions ²			
– Carbon dioxide	3.74	3.97	(6%)
Scope 3: Other indirect emissions ³			
– Carbon dioxide	0.71	0.14	407%
Total GHG emissions			
– Carbon dioxide	4.45	4.11	8%
GHG emissions intensity ⁴			
Per employee	0.32	0.22	45%

Notes:

1. The above calculation is based on the reference and tools provided by Environmental Protection Department. <https://www.carbon-footprint.hk/>
2. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity.
3. Scope 3 refers to other indirect GHG emissions from paper consumption and air transport.
4. GHG emissions intensity is calculated by dividing the total GHG emissions by the number of employees.

The Group’s operations do not generate direct GHG emissions, the major sources of emission of GHG by the Group are consumption of electricity at the workplace. The Group has therefore, directed efforts to monitor its electricity usage in the workplace by encouraging our employees to keep the indoor temperature within the office at 24 to 26 degrees Celsius and to switch off lights and other office equipment when idle. As a result, the Group’s electricity consumption decreased by 6% from 5,669 kWh in 2021 to 5,342 kWh in the Year and related GHG emissions decreased from approximately 3.97 tonnes of carbon dioxide equivalent in 2021 to approximately 3.74 tonnes of carbon dioxide equivalent in the Year.

The Group’s other indirect emissions, which are mainly generated from paper consumption for general office use and from business travels, increased by 407% from 0.14 tonnes of CO₂ equivalent in 2021 to 0.71 tonnes of CO₂ equivalent in the Year. The main reason for the increase was mainly due to the Pandemic, there are no business travels recorded during the year 2021.

The Group is committed to promote a sustainable working and living environment through continuous efforts in emissions reduction and will continue to encourages staff to use e-communication channels, such as video conference for business meetings whenever possible, in order to minimize greenhouse gas emissions caused by business trips.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)**ENVIRONMENTAL ASPECTS** (continued)**Waste Management**

The Group adheres to waste management principles that comply with the Environmental Protection Law of the PRC and other applicable environmental laws and regulations. No hazardous waste produced by the Group is observed during the Year and the major non-hazardous waste generated by the Group's operations is shown below:

Non-hazardous waste	2022		2021		Variance Increase/ (Decrease)
	Sheet	kg	Sheet	kg	
Paper	23,624	118	17,483	87	35%
Paper consumption intensity ¹ Per employee	1,687	8.43	920	4.58	83%

Note:

1. Paper consumption intensity is calculated by dividing the paper consumption by the number of employees.

Paper waste is the major waste that has been identified in the Group's business operation. The Group encourages employees to maximize the usage of electronic copies instead of hardcopies to create a paperless environment and setting duplex printing as default setting in printers for printing internal documents. However, due to the decrease in employee, paper consumption increased significantly from approximately 4.58 kilogram per employee in 2021 to approximately 8.43 kilogram per employee in the Year.

Water Management

The Group's key water usage is arising from toilet flushing, water tap for cleaning and drinking water. It operates in leased office premises of which both the water supply and discharge are solely controlled by the respective building management which is considered that provision of water withdrawal and discharge data or sub-meter for the individual occupant is not feasible. To avoid unnecessary water consumption from the daily operation, the Group encourages employees to always turn taps off tightly to avoid dripping and giving priority to effective water-saving products.

Use of Resources

As an environmentally friendly and energy saving services provider, the Group is committed to utilise resources in the most efficient and effective manner. Since the Group does not manufacture any products, the packaging material used for finished products is not applicable to the business of the Group. Electricity and materials are the main resources used by the Group during the Year. Hence, the Group adopts the following key policies in the workplace and for its operations:

- Standardisation of materials for installation of the UPPC System;
- Utilisation of scrap materials where possible;
- Use of optimal temperature and light control in the workplace;
- Switch off lights and air-conditions when idle; and
- Use recycle paper and duplex print wherever possible and appropriate.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

ENVIRONMENTAL ASPECTS (continued)

Use of Resources (continued)

Moreover, the principal activities of the Group are not in production, hence water is used mainly for domestic purpose at our office and the Group does not have any concern in sourcing water that is fit for such purpose. The Group will continue to promote energy and water-saving behavior under its overall environmental management agenda.

Climate Change

The Group has considered the physical risk which include acute risk like increasing heavy rainstorm, wildfire, hot weather; chronic risk including rise in sea level. Which the acute risk will post immediate safety issues to our staff, the Company has followed and will continue to follow strictly on the relevant notice and/or guidelines issued by the local government bodies in which we operate to ensure staff safety. The Group will review the existing measures for adverse weather conditions and ensure the safety of the employees. For transitional risk, the Group has considered the policy and legal risk, which the government will impose more laws and regulation on the emissions and energy usage, as we have minimal usage on energy and minimal emissions due to our business nature, the Group considers the risk is relatively low, however, the Group will continue to monitor the monitor potential risks of climate change and its impacts on the Group's operations and customers, and devise and implement preventive and emergency measures accordingly.

Compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

SOCIAL ASPECTS

Employment

The Group considers its employees as its most valuable asset and the key to long-term growth and prosperity. It is committed to provide a healthy, safe and friendly working environment. The Group has several non-discriminatory policies in place to ensure equal opportunities for all sexes, ethnicities, races, ages and religions.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)**SOCIAL ASPECTS** (continued)**Employment** (continued)

The Group employed a total of 19 and 20 employees during the year 2022 and 2021 respectively and as at 31 December 2022 and 2021 the Group had 14 and 19 employees respectively. The Group's workforce composition as at 31 December are as follows:

	2022	2021
Number of employees		
By gender		
Male	12	15
Female	2	4
By age group		
Below 30	1	1
30 to 50	8	13
Above 50	5	5
By region		
Hong Kong	9	9
PRC	5	10
By employment contract		
Permanent	14	18
Temporary/Part-time	-	1



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Employment (continued)

Workforce by Region and by Gender as at Year End



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)**SOCIAL ASPECTS** (continued)**Employment** (continued)

During the year 2022 and 2021, a total of 5 and 1 employees left the Group respectively, representing total turnover rate of employees of approximately 36% and approximately 5% for the year 2022 and 2021 respectively. Further employee turnover rates by various categories are shown below:

	2022	2021
Number of employee turnover:		
By gender		
Male	3	1
Female	2	–
By age group		
Below 30	–	–
30 to 50	4	1
Above 50	1	–
By region		
Hong Kong	2	1
PRC	3	–
Employee turnover rate (%) #		
By gender		
Male	25%	7%
Female	100%	–
By age group		
Below 30	–	–
30 to 50	50%	8%
Above 50	20%	–
By region		
Hong Kong	22%	11%
PRC	60%	–

Employee turnover rates are calculated by number of employee turnover during the year in their specified categories over the number of employees as at that year end in their specified categories



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Employment (continued)

The management regularly reviews the Group's remuneration and benefits policies with reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted and reviewed on annual basis in accordance with the employees' individual performance, contribution and market conditions.

Employment rights such as compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination and welfare and other benefits were clearly stated in the employment contract to protect the interest of the staff.

The Group encourages work-life balance to raise team spirit and promote good relations with the employees.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

Health and Safety

The Group is committed to maintaining high standards of health and safety for staff. The Group has fully complied with all relevant laws and regulations regarding the health and safety requirements of the Group during the Year. There were no work-related fatalities in the Group in each of the past three years including this reporting year (2021: nil). The Group had no lost days due to work injury for the years 2022 and 2021.

To minimize occupational accidents and to provide a safe and secure working environment, the Group makes use of publications to demonstrate safety rules. All employees are required to abide all safety rules and regulations and utilise applicable protection measures at all times to avoid accidents. In addition, as part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group complied strictly with the virus prevention regulations as required by the government, and stringent infection preventive measures were implemented to protect its employees. Safety inspections and spot checks were conducted periodically to monitor and review health and safety issues of the Group.

During the Year, no non-compliance with the laws and regulations relating to occupational safety that have resulted or may result in significant impact on the Group was identified.

Development and Training

The Group trusts that growth of employees remains key to sustaining market leadership. It is imperative to cultivate a learning culture within the Group and to encourage continual education and development in order for our employees to be well-equipped and competent in delivering high quality services and products to customers, and to raise their occupational safety awareness.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)**SOCIAL ASPECTS** (continued)**Development and Training** (continued)

Training of the Group could be categorized into three aspects:

- New-comer programme;
- On-the-job training programmes; and
- External trainings

New employees are provided with on-board training to familiarize with the culture, business and operation of the Group. Also, for technical positions such as technical support, every newly-hired employee will be provided with pre-job technical training to enhance their professional skills.

The Group welcomes every staff to join training programmes according to their respective job duties and positions. The Group's human resources department would review all staff applications from the staffs and assign each staff to the most suitable training and development programme.

During the year 2022 and 2021, a total of 186 manhours and 266 manhours of training were provided to employees of the Group respectively representing an average of approximately 13 hours and approximately 14 hours of training per employee as at 31 December 2022 and 2021 respectively. The total number of employees who took part in those trainings were 14 and 17 for the year 2022 and 2021 respectively, representing approximately 100% and approximately 89% of total employees as at 31 December 2022 and 2021 respectively. Further development and training data by various categories are shown below:

	2022	2021
Total number of hours of training received by employees	186	266
Percentage of employees trained#:		
By gender		
Male	86%	82%
Female	14%	18%
By employee category		
Senior management	57%	35%
Middle management	21%	47%
Others	22%	18%

Percentage of employees trained are calculated by number of employees trained in their specified categories over the total number of employees trained



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Development and Training (continued)

	2022	2021
Average training hours completed per employee[^]:		
By gender		
Male	13	16
Female	15	8
By employee category		
Senior management	7	9
Middle management	33	24
Others	10	6

[^] Average training hours are calculated by total number of hours trained during the year in their specified categories over the number of employees as at that year end in their specified categories

Labour Standards

The Group seeks to provide a work environment with equal opportunities and diversified human resources. The Group's guidelines on staff recruitment and avoidance of unlawful employment policy outlines the Group's obligations as a responsible employer and the procedure necessary to ensure all candidates are treated equally and employment is compliant with local laws and regulations.

Information such as statement on work hours, pay and performance issues, policies on benefits, trainings, leave and disciplinary procedures and possible sanction are clearly stated on a written employee hand book provided in the national language of the employees.

The Group prohibits any employment which would constitute child labour and forced labour. The Group's implemented employment policies which are in strict adherence of the local employment laws and regulations. Prior to any confirmation of employment of the Group, our human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

During the Year, there is no child or forced labour in the Group as the Group works in compliance with the Employment Ordinance of the Hong Kong Special Administrative Region and Labour Contract Law of the PRC in term of employment management.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Supply Chain Management

Maintaining an efficient and fair supply chain is one of the agendas of the Group to ensure stable and quality supplies.

For this purpose, the Group closely collaborates with stakeholders along the supply chain to improve overall environmental, social and governance performance and to ensure all supply chain management processes are in line with the best practice incorporated.

Major materials that the Group purchases are materials or parts for UPPC System for its provision of the Energy Saving Business. During the Year, the Group had 309 suppliers (2021: 304 suppliers), all of which are located in the PRC.

The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. Before making any procurement decisions, the Group will conduct due diligence and assessments on suppliers to avoid environmental and social risks along the supply chain. Suppliers are chosen mainly based on their service or product quality, price, reputation, financial background, sustainability and social responsibility track record and delivery time.

We regularly evaluate our key suppliers' performance to determine whether to extend our partnership with them.

During the Year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor did any of them have any non-compliance incident in respect of human rights issues.

Product and Service Responsibility

Maintaining a high quality and standard of the products and services is crucial to the Group's success and sustainable development. Therefore, maintaining consistency in quality and precision of the products are the Group's major priorities. Each UPPC System of the Group are subject to stringent quality tests before release to the customers. Our project managers are responsible for the monitoring of the overall progress and quality of works undertaken by us. Regular management meetings are conducted to discuss quality issues and remedy defects identified, if any. The Group also provides after-sales services such as maintenance services, email and phone supports.

Complaint Management

The Group welcomes all feedbacks from customers as it is necessary to improving our products and services. Procedures for handling feedbacks are established. Feedbacks are recorded in detail and appropriate follow-up actions are taken promptly.

For the years 2022 and 2021, there were no products sold subject to recalls for safety and health reasons and there were no products and services related complaints received.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Product and Service Responsibility (continued)

Labelling

The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights, if applicable, are protected. We ensure that the information and marketing materials we provided do not contain any misleading content to protect customers' interests.

Privacy Matters

The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

We acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. The Group has prohibited the use of any personal information of customers by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of customers.

During the Year, the Group was not aware of any non-compliance with relevant laws, rules and regulations relating to products and services safety that have resulted or may result in significant impact on the Group.

Anti-Corruption

Anti-corruption measures and laws are enforced within the business arena of the Group. The Group endeavor to maintain high moral standard and integrity, and forbid any forms of corruptions by setting out guidance in the Group's Code of Conducts. Whistleblowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior.

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. In addition, training on anti-corruption practices are provided to our directors and senior management personnel.

The Group is not aware of any complaints of corruption against the Group or any of the staff and are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Year.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

SOCIAL ASPECTS (continued)

Community Investment

The Group believed that a sustainable community plays a vital role in its long-term growth and success. Therefore, the Group has portrayed immense dedication in contributing to the amelioration of the society through collaborating with the local communities it operates in and addressing the community's need.

The Group also encourages employees to devote time and to actively get involved in community engagements and charity works.

Labour Needs

The Group strives to enlarge the business operation so that we can hire more workers to utilise communities' available labour resources.

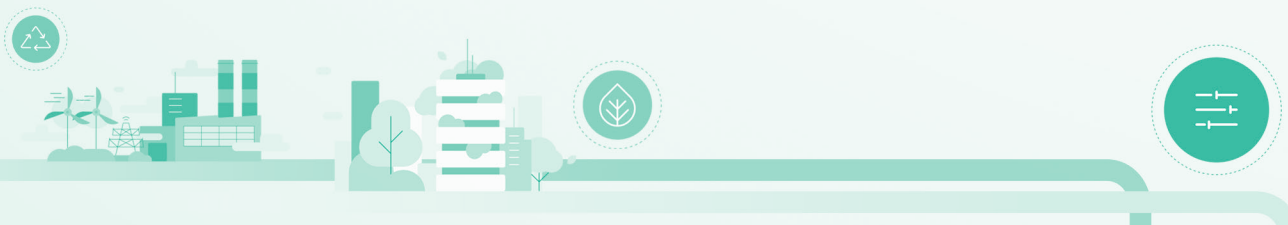
Community Activities

We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

Due to the outbreak of COVID-19 and various government measures on social distancing, the Group did not take part in community activities during the Year (2021: nil).

Environmental Protection

All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.



INDEPENDENT AUDITORS' REPORT



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CCIAM FUTURE ENERGY LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of CCIAM Future Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditors' 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.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 3(c) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$51,972,000 and a net cash outflow from operating activities of approximately HK\$13,598,000 for the year ended 31 December 2022. These factors indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITORS' REPORT (continued)**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 period. 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. In addition to the matter described in the "Material uncertainty relating to going concern" sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter**Allowance for expected credit losses recognised in respect for trade receivables and finance lease receivables**

Refer to Notes 4, 20 and 23 to the consolidated financial statements.

At 31 December 2022, the Group has gross trade receivables of approximately HK\$57,880,000 and allowance for expected credit losses of approximately HK\$55,244,000.

At 31 December 2022, the Group has gross finance lease receivables of approximately HK\$45,382,000 and allowance for expected credit losses of approximately HK\$31,058,000.

Management performed periodic assessment on the recoverability of the trade receivables and finance lease receivables and the sufficiency of allowance for expected credit losses based on information including internal credit assessment of different customers, ageing of the trade receivables and finance lease receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the counterparties' ability to repay the outstanding balances in order to estimate the expected credit losses for impairment assessment.

We focused on these areas due to the impairment assessment of trade receivables and finance lease receivables under the expected credit losses model involved the use of significant management judgements and estimates.

How our audit addressed the key audit matter

Our procedures in relation to management's estimated allowance for expected credit losses of the trade receivables and finance lease receivables as at 31 December 2022 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk and assessment of expected credit losses allowance;
- Checking, on a sample basis, the ageing profile of the trade receivables and finance lease receivables as at 31 December 2022 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables and finance lease receivables past due as at year end and corroborating explanations from management with supporting evidence, such as internal credit assessment of selected customers, understanding ongoing business relationship with the customers based on trade and finance lease records, checking historical and subsequent settlement records of and other correspondence with the counterparties; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgement and estimates used to assess the recoverability of the trade receivables and finance lease receivables and determine the allowance for expected credit losses to be supportable by available evidence.



INDEPENDENT AUDITORS' REPORT (continued)

OTHER INFORMATION

The directors 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 auditors' report thereon (the "Other Information").

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.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.



INDEPENDENT AUDITORS' REPORT (continued)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



INDEPENDENT AUDITORS' REPORT (continued)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok, Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 27 March 2023



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	23,306	7,583
Cost of sales		(20,946)	(6,374)
Gross profit		2,360	1,209
Other income	9	419	4,523
Net allowance for expected credit losses on trade receivables, contract assets and finance lease receivables		(13,641)	(35,163)
Written off of finance lease receivable		(26,218)	–
Amortisation of intangible assets	17	–	(2,467)
Impairment loss on intangible assets	17	–	(21,678)
Impairment loss on right-of-use assets	19	–	(131)
Impairment loss on property, plant and equipment	18	–	(104)
Selling expenses		(993)	(1,335)
Administrative and operating expenses		(11,838)	(10,323)
Loss from operations		(49,911)	(65,469)
Finance costs	10	(2,061)	(4,076)
Loss before taxation		(51,972)	(69,545)
Income tax credit	12	–	3,622
Loss for the year		(51,972)	(65,923)
Other comprehensive (expense)/income for the year, net of tax <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,080)	1,419
Other comprehensive (expense)/income for the year, net of tax		(1,080)	1,419
Total comprehensive expense for the year, net of tax		(53,052)	(64,504)
Loss for the year attributable to owners of the Company		(51,972)	(65,923)
Total comprehensive expense attributable to owners of the Company		(53,052)	(64,504)
		HK cents	HK cents (Restated)
Loss per share – Basic and diluted	16	(7.46)	(9.87)

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Intangible assets	17	–	–
Property, plant and equipment	18	–	–
Right-of-use assets	19	–	–
Finance lease receivables	23	11,410	40,717
		11,410	40,717
Current assets			
Inventories		420	467
Trade receivables	20	2,636	15,472
Contract assets	21	2,021	–
Prepayments, deposits and other receivables	22	13,785	2,010
Finance lease receivables	23	2,914	4,759
Cash and bank balances	24	26,985	18,886
		48,761	41,594
Current liabilities			
Trade and other payables	25	9,533	8,451
Contract liabilities	26	8,819	935
Lease liabilities	27	–	229
Other borrowings	28	22,374	24,486
		40,726	34,101
Net current assets		8,035	7,493
Total assets less current liabilities		19,445	48,210



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liability			
Deferred tax liabilities	29	–	–
		–	–
Net assets		19,445	48,210
Capital and reserves			
Share capital	30	3,201,626	3,177,339
Reserves		(3,182,181)	(3,129,129)
Total equity		19,445	48,210

Approved and authorised for issue by the board of directors on 27 March 2023 and signed on its behalf by:

Mr. Chong Kok Leong
Director

Mr. Zhuang Miao Zhong
Director

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Reserves				Total HK\$'000
	Share capital HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2021	3,177,339	2,762	4,100	(3,071,487)	112,714
Loss for the year	-	-	-	(65,923)	(65,923)
Other comprehensive income for the year	-	-	1,419	-	1,419
Total comprehensive income/(expense) for the year	-	-	1,419	(65,923)	(64,504)
Forfeit of share option	-	(729)	-	729	-
At 31 December 2021 and 1 January 2022	3,177,339	2,033	5,519	(3,136,681)	48,210
Loss for the year	-	-	-	(51,972)	(51,972)
Other comprehensive expense for the year	-	-	(1,080)	-	(1,080)
Total comprehensive expense for the year	-	-	(1,080)	(51,972)	(53,052)
Issuance of shares in respect of placing (Note 30)	24,910	-	-	-	24,910
Transaction cost attributable to placing (Note 30)	(623)	-	-	-	(623)
Forfeit of share option	-	(437)	-	437	-
At 31 December 2022	3,201,626	1,596	4,439	(3,188,216)	19,445

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Loss before taxation		(51,972)	(69,545)
Adjustments for:			
Bank interest income	9	(28)	(31)
Finance costs	10	2,061	4,076
Depreciation of property, plant and equipment	18	–	12
Depreciation expenses on right-of-use assets	19	–	182
Amortisation of intangible assets	17	–	2,467
Impairment loss on intangible assets	17	–	21,678
Impairment loss on right-of-use assets	19	–	131
Impairment loss on property, plant and equipment	18	–	104
Written off of finance lease receivable		26,218	–
Allowance for expected credit losses on trade receivables		13,843	26,808
Allowance for expected credit losses on finance lease receivables		678	8,639
Allowance for expected credit losses on contract assets		6	–
Reversal of allowance for expected credit losses on trade receivables		(13)	(5)
Reversal of allowance for expected credit losses on finance lease receivables		(873)	(279)
Operating loss before working capital changes		(10,080)	(5,763)
Increase in prepayments, deposits and other receivables		(12,291)	(925)
(Increase)/decrease in trade receivables		(1,786)	5,615
Increase in contract assets		(2,122)	–
Decrease in finance lease receivables		2,492	3,482
Decrease in inventories		7	17
Increase/(decrease) in trade and other payables		1,840	(6,736)
Increase in contract liabilities		8,342	922
Cash used in operations		(13,598)	(3,388)
Income tax paid		–	–
Net cash used in operating activities		(13,598)	(3,388)
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(4)
Bank interest income received		28	31
Net cash generated from investing activities		28	27



CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Cash flows from financing activities			
Repayments of lease liabilities		(231)	(354)
Interest paid		(2,119)	(6,119)
Proceeds from placing of shares	30	24,910	–
Transaction costs attributable to placing of shares	30	(623)	–
Net cash generated from/(used in) financing activities		21,937	(6,473)
Net increase/(decrease) in cash and cash equivalents		8,367	(9,834)
Cash and cash equivalents at beginning of year			
Effect of exchange rate changes on the balance of cash held in foreign currencies		(268)	(37)
Cash and cash equivalents at end of year		26,985	18,886
Analysis of balances of cash and cash equivalents			
Cash and bank balances		26,985	18,886

The accompanying notes form an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

CCIAM Future Energy Limited (the “Company”) was incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of registered office of the Company is Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

Details of the substantial shareholders of the Company are disclosed in the section headed “Substantial Shareholders” in the Directors’ Report of the annual report.

The Company is an investment holding company and its subsidiaries are principally engaged in design and provision of energy saving solutions business (the “Energy Saving Business”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as functional currency of the Company and rounded to the nearest thousand (HK\$’000), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
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

The application of the amendments to HKFRSs in the current year 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)**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 not yet effective:

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

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

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

³ Effective for annual periods beginning on or after a date to be determined

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statutory financial statements**

The financial information relating to the years ended 31 December 2022 and 2021 included in this annual report does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by 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, these consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Companies Ordinance.

(c) Basis of preparation

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 for goods and services.

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Basis of preparation (continued)****Going Concern**

For the year ended 31 December 2022, the Group incurred a net loss of approximately HK\$51,972,000 (2021: HK\$65,923,000) and a net cash outflow from operating activities of approximately HK\$13,598,000 (2021: HK\$3,388,000). Further, the Group had other borrowing of approximately HK\$22,374,000 (2021: HK\$24,486,000) and cash and bank balances was approximately HK\$26,985,000 (2021: HK\$18,886,000) as at 31 December 2022. Details in relation to the other borrowings are disclosed in Note 28 to the consolidated financial statement. These conditions cast significant doubt on the Group's ability to continue as a going concern. The Group is implementing the following measures in order to improve the working capital, liquidity and cash flow position of the Group:

(i) Alternative source of funding

The Company is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

(ii) Control policy for operating cost

The Group is implementing operation plans to control costs and generate adequate cash flows from the Group's operations.

The ability of the Group to continue as a going concern is dependent upon the eventual successful outcomes of the above-mentioned measures. These outcomes are inherently uncertain and cannot be determined with reasonable certainty. Hence a material uncertainty exists as at 31 December 2022 that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business.

Notwithstanding the existence of the conditions described above, the directors of the Company have determined it is appropriate to adopt the going concern basis in the preparation of consolidated financial statements. The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Basic of consolidation**

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified accumulated impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

(f) Business combination

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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

- (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- (ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- (iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- (iv) lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease terms ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit 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 (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Revenue and other income recognition**

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

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

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

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue and other income recognition (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Revenue from contracts with customers

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group recognises revenue from the following major sources:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue and other income recognition (continued)

Revenue from contracts with customers (continued)

There are two types of energy saving solutions income: (i) provision of construction services and (ii) sales of goods.

Energy saving solutions income - (i) provision of construction services

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

Energy saving solutions income - (ii) sales of goods

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

Repair and maintenance service income

Repair and maintenance service income is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Finance lease interest income

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest income

Interest income is recognised as it accrues 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 loss allowance) of the asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

Depreciation is provided on the straight-line method so as to write down the cost of property, plant and equipment to their realisable value over their anticipated useful lives at the following annual rates:

Office equipment:	25%
Furniture and fixture:	20%
Computer:	25%

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

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average costing method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion on sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(l) Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(I) Leases** (continued)**The Group as a lessee** (continued)*Right-of-use assets*

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19 related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change 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 change due to changes in market rental rates following a market rent review/ expected payment 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.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19 – related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19 – related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the 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.

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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. 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 re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(n) Employee benefits**Retirement benefit costs**

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Payments to Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.
- (iii) Payments to the state-managed retirement benefit schemes ("PRC Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because of items 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 on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss.

(p) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

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

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

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

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

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

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments** (continued)**Financial assets** (continued)*Classification and subsequent measurement of financial assets (continued)*

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments** (continued)**Financial assets** (continued)*Classification and subsequent measurement of financial assets* (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and bills receivables, deposits and other receivables, finance lease receivables, cash and bank balances) and other items (contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for significant balances or collectively using a provision matrix for the remaining balances with appropriate groupings based on shared credit risk characteristics of customers from the relevant operating segment.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments** (continued)**Financial assets** (continued)*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments** (continued)**Financial assets** (continued)*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is likely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments** (continued)**Financial assets** (continued)*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Financial instruments (continued)****Financial assets (continued)***Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities, and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(t) Provisions

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(u) Cash and cash equivalents

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(v) Related party transactions**

- (a) 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 the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (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 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 employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (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 Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

- a. that person's children and spouse or domestic partner;
- b. children of that person's spouse or domestic partner; and
- c. dependants of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3 to the consolidated financial statements, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

(b) Provision of ECL for trade receivables, contract assets, other receivables and financial lease receivables

The loss allowances for trade receivables, contract assets, other receivables and financial lease receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5(b).

As at 31 December 2022, the carrying amount of trade receivables, contract assets, other receivables and finance lease receivables are approximately HK\$2,636,000 (2021: HK\$15,472,000), HK\$2,021,000 (2021: nil), HK\$20,000 (2021: HK\$124,000) and HK\$14,324,000 (2021: HK\$45,476,000) respectively (net of allowance for expected credit losses of HK\$55,244,000 (2021: HK\$46,006,000), HK\$6,000 (2021: nil), HK\$9,200,000 (2021: HK\$9,200,000) and HK\$31,058,000 (2021: HK\$34,196,000) respectively).

The provision of ECL is sensitive to changes in estimates. The information about the allowance for expected credit losses and the Group's trade receivables, contract assets, other receivables and finance lease receivables are disclosed in Notes 5(b), 20, 21, 22 and 23.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**(c) Going concern basis**

As disclosed in Note 3(c), the directors of the Company adopted the going concern basis in the preparation of consolidated financial statements, notwithstanding the existence of the conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, as the Group is implementing measures to improve the working capital and liquidity and cash flow position of the Group.

The directors of the Company have determined it is appropriate to adopt the going concern basis in the preparation of consolidated financial statements and have reviewed the Group's cash flow projections prepared by the management, covering a period of not less than twelve months from the end of the reporting period. The assessment of the going concern of the Group require exercise of significant judgement by the directors of the Company, particularly as to whether the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**(a) Categories of financial instruments**

	2022 HK\$'000	2021 HK\$'000
Financial assets		
At amortised costs		
Trade receivable	2,636	15,472
Finance lease receivables	14,324	45,476
Deposits and other receivables	4,316	439
Cash and bank balances	26,985	18,886
	48,261	80,273
	2022 HK\$'000	2021 HK\$'000
Financial liabilities		
At amortised costs		
Trade and other payables	9,533	8,451
Lease liabilities	–	229
Other borrowings	22,374	24,486
	31,907	33,166



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, finance lease receivables, deposits and other receivables, cash and bank balances, trade and other payables, other borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose them primarily to the financial risks of changes in foreign exchange risk and interest rate risk.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

(ii) Interest rate risk

The Group is also exposed to cash flow interest rate risk mainly in relation to variable rate bank balances. The Group's exposure to fair values interest rate risk is mainly caused by fixed-rate other borrowing. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank balances and borrowings where necessary.

At the end of the reporting period, the Group had no significant exposure to cash flow interest rate risk.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, contract assets, deposits and other receivables, finance lease receivables and cash and bank balances. At 31 December 2022, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables, contract assets, other receivables and finance lease receivables

Credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers.

The Group applies the HKFRS 9 general approach to measure ECL on finance lease receivables and other receivables. The Group estimates the amount of loss allowance for ECL on financial lease receivables and other receivables that are measured at amortised cost based on the credit risk of the finance lease receivables and other receivables. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

In respect of trade receivables and finance lease receivables arising from the Energy Saving Business, the Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest trade receivable balances accounted for approximately 98.88% (2021: approximately 99.64%) of the trade receivables and the largest trade receivable was approximately 94.92% (2021: approximately 93.42%) of the Group's total trade receivables. At the end of each reporting period, the five largest finance lease receivable balances accounted for approximately 100.00% (2021: approximately 99.99%) of the finance lease receivables and the largest finance lease receivable was approximately 82.64% (2021: approximately 88.67%) of the Group's total finance lease receivables. The Directors closely monitor the risk exposure of the customers and collateral and would take appropriate action to ensure the risk exposure is acceptable. The Directors are of the view that the expected cash flow of trade receivables and finance lease receivables are sufficient to cover the carrying amount of trade receivables and finance lease receivables as at 31 December 2022.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group assessed its trade receivables and contract assets individually, for significant balances and credit-impaired balances, and/or collectively based on the aging analysis of trade receivables. Significant and/or credit-impaired trade receivables balances are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and reasonable and supportable forward-looking information that is available without undue costs or effort. For trade receivables or contract assets assessed collectively, the grouping is based on the debtor's credit risk characteristic, taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At each reporting date, historical default rates are reassessed and changes in forward-looking information are considered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)*Trade receivables, contract assets, other receivables and finance lease receivables*
(continued)

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:

As at 31 December 2022	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
Current (not past due)	62.5	6,812	(4,260)
Less than 1 month past due	–	–	–
1 to 3 months past due	95.6	1,172	(1,120)
3 months to 1 year past due	97.2	1,152	(1,120)
More than 1 year past due	100.0	48,744	(48,744)
		57,880	(55,244)
As at 31 December 2021	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
Current (not past due)	100.0	4,653	(4,653)
Less than 1 month past due	55.7	2,224	(1,238)
1 to 3 months past due	–	31	–
3 months to 1 year past due	100.0	1,224	(1,224)
More than 1 year past due	72.9	53,346	(38,891)
		61,478	(46,006)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables, contract assets, other receivables and finance lease receivables
(continued)

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

As at 31 December 2022	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
Current (not past due)	0.3	2,027	(6)

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

As at 31 December 2022	Stage	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
12-month ECL	Stage 1	3.1	12,216	(378)
Lifetime ECL (not credit impaired)	Stage 2	55.8	5,622	(3,136)
Lifetime ECL (credit impaired)	Stage 3	100.0	27,544	(27,544)
			45,382	(31,058)

As at 31 December 2021	Stage	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
12-month ECL	Stage 1	2.4	41,498	(991)
Lifetime ECL (not credit impaired)	Stage 2	38.1	8,030	(3,061)
Lifetime ECL (credit impaired)	Stage 3	100.0	30,144	(30,144)
			79,672	(34,196)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)*Trade receivables, contract assets, other receivables and finance lease receivables*
(continued)

The following tables show the reconciliation of loss allowances that have been recognised for finance lease receivables:

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2021	(897)	(24,124)	–	(25,021)
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer to credit-impaired	–	21,372	(21,372)	–
– Impairment losses recognised	(96)	(458)	(8,085)	(8,639)
– Impairment losses reversed	28	229	22	279
Exchange adjustments	(26)	(80)	(709)	(815)
At 31 December 2021	(991)	(3,061)	(30,144)	(34,196)
Changes due to financial instruments recognised as at 1 January 2022:				
– Impairment losses recognised	–	(678)	–	(678)
– Impairment losses reversed	551	322	–	873
Exchange adjustments	62	281	2,600	2,943
At 31 December 2022	(378)	(3,136)	(27,544)	(31,058)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables, contract assets, other receivables and finance lease receivables
(continued)

The closing loss allowances for including trade receivables, other receivables and finance lease receivables as at 31 December 2022 and 2021 reconcile to the opening loss allowances as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Other receivables HK\$'000	Finance lease receivables HK\$'000	Total HK\$'000
At 1 January 2021	(18,320)	–	(9,200)	(25,021)	(52,541)
Allowance for expected credit losses recognised in profit or loss	(26,808)	–	–	(8,639)	(35,447)
Reversal of allowance for expected credit losses recognised in profit or loss	5	–	–	279	284
Exchange realignment	(883)	–	–	(815)	(1,698)
At 31 December 2021 and 1 January 2022	(46,006)	–	(9,200)	(34,196)	(89,402)
Allowance for expected credit losses recognised in profit or loss	(13,843)	(6)	–	(678)	(14,527)
Reversal of allowance for expected credit losses recognised in profit or loss	13	–	–	873	886
Exchange realignment	4,592	–	–	2,943	7,535
At 31 December 2022	(55,244)	(6)	(9,200)	(31,058)	(95,508)

Trade receivables, contract assets, other receivables and finance lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than agreed contract terms.

Impairment losses on trade receivables, contract assets, other receivables and finance lease receivables are presented as net allowance of ECL within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables, contract assets, other receivables and finance lease receivables (continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, contract assets, other receivables and finance lease receivables are set out in Notes 20, 21, 22 and 23 respectively.

The management monitored the financial background and creditability of those debtors on an ongoing basis. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Deposits

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The Group has assessed that the expected credit loss rate for the deposits are immaterial under 12 months expected credit losses method.

Deposits with bank

In respect to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations. The Group assessed 12m ECL for bank balances. Management will continue to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2022 and 2021, the Group has no significant concentration of credit risk in relation to deposit with bank. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

In these regards, other than the credit risks mentioned above, the management considers the Group does not have any other significant credit risk and the exposures to these credit risks are monitored on an ongoing basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
(b) Financial risk management objectives and policies (continued)
Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The table includes both interest and principal cash flows.

	Weighted average interest rate %	Repayable on demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	–	9,533	–	–	–	9,533	9,533
Other borrowings	17.0	26,178	–	–	–	26,178	22,374
		35,711	–	–	–	35,711	31,907

	Weighted average interest rate %	Repayable on demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	–	8,451	–	–	–	8,451	8,451
Other borrowings	17.0	28,649	–	–	–	28,649	24,486
Lease liabilities	9.6	237	–	–	–	237	229
		37,337	–	–	–	37,337	33,166



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

6. CAPITAL RISK MANAGEMENT

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown in the consolidated statement of financial position.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year and aims to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	2022	2021
	HK\$'000	HK\$'000
Total borrowings (Note 28)	22,374	24,486
Total assets	60,171	82,311
Gearing ratio	37.2%	29.7%

7. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the years ended 31 December 2022 and 2021, the Group operates in one operating segment which is the Energy Saving Business. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

7. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in one principal geographical area – the People’s Republic of China (the “PRC”).

The Group’s revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2022 HK\$’000	2021 HK\$’000	2022 HK\$’000	2021 HK\$’000
The PRC	23,306	7,583	11,410	40,717

Information about major customer

Included in the Group’s revenue of approximately HK\$23,306,000 (2021: HK\$7,583,000), the revenue of approximately HK\$15,317,000 (2021: HK\$6,673,000) which arose from two (2021: two) customers of the Energy Saving Business which contributed 10% or more to the Group’s revenue for the year.

Revenue from major customers, each of them amounted to 10% or more of the Group’s revenue, are set out below:

	2022 HK\$’000	2021 HK\$’000
Customer A (Note (a))	12,451	–
Customer B (Note (a))	2,866	–
Customer C (Note (b))	–	4,533
Customer D (Note (b))	–	2,140

Notes:

- (a) No information on revenue for the year ended 31 December 2021 is disclosed for these customers since none of them contributed 10% or more than to the Group’s revenue for the year ended 31 December 2021.
- (b) No information on revenue for the year ended 31 December 2022 is disclosed for these customers since none of them contributed 10% or more than to the Group’s revenue for the year ended 31 December 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8. REVENUE

Revenue represents the aggregate of the amounts received and receivable from third parties, income from the Energy Saving Business. Revenue recognised during the years are as following:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers		
– Energy saving solutions income	22,918	6,679
– Repair and maintenance service income	388	904
	23,306	7,583
Timing of revenue recognition:		
A point in time	1,616	6,679
Over time	21,690	904
	23,306	7,583

9. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Bank interest income	28	31
Interest income on finance lease receivables	20	159
Reversal of accrued service fee	–	4,326
Government grants (Note)	306	–
Others	65	7
	419	4,523

Note:

During the year ended 31 December 2022, the Group recognised government grant of approximately HK\$72,000 (2021: nil) in respect of COVID-19-related subsidies which is related to Employment Support Scheme provided by the Hong Kong government, and approximately HK\$234,000 (2021: nil) in respect of government grant for High-tech Enterprise in the PRC.

10. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expenses on other borrowing	2,053	4,040
Interest expenses on lease liabilities	8	36
	2,061	4,076



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	Notes	2022 HK\$'000	2021 HK\$'000
Staff costs (including directors' remuneration)			
– Directors' fees	13	1,236	1,230
– Salaries, bonus and wages		4,992	5,105
– Contribution to retirement benefits schemes		171	244
		6,399	6,579
Auditors' remuneration			
– Audit services		750	750
Amortisation of intangible assets	17	–	2,467
Impairment loss on intangible assets	17	–	21,678
Impairment loss on property, plant and equipment	18	–	104
Impairment loss on right-of-use assets	19	–	131
Written off of finance lease receivable		26,218	–
Depreciation of property, plant and equipment	18	–	12
Depreciation expenses on right-of-use assets	19	–	182
Expenses relating to short-term lease		132	91
Net allowances for expected credit losses on trade receivables, contract assets and finance lease receivables			
– Allowance for expected credit losses on trade receivables		13,843	26,808
– Allowance for expected credit losses on contract assets		6	–
– Allowance for expected credit losses on finance lease receivables		678	8,639
– Reversal of allowance for expected credit losses on trade receivables		(13)	(5)
– Reversal of allowance for expected credit losses on finance lease receivables		(873)	(279)
		13,641	35,163



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

12. INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Deferred taxation		
Credit for the year (Note 29)	–	3,622

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions which members of the Group are domiciled and operate.

(i) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the years ended 31 December 2021 and 2022.

No provision of profit tax as no assessable profit for the both years.

(ii) PRC Enterprise Income Tax

The subsidiaries of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25%. One of the Company's subsidiaries in the PRC is qualified as a High Technology Enterprise from 18 November 2021 and enjoy PRC Enterprise Income Tax rate of 15%.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2022 HK\$'000	2021 HK\$'000
Loss before taxation	(51,972)	(69,545)
Tax calculated at the rates applicable to the tax jurisdiction concerned	(10,479)	(10,888)
Tax effect of non-taxable income	(239)	(711)
Tax effect of non-deductible expenses	9,993	10,537
Tax effect of temporary differences	–	(3,622)
Tax effect of unused tax losses not recognised	725	1,062
Tax credit for the year	–	(3,622)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors for the years ended 31 December 2022 and 2021:

Year ended 31 December 2022

	Directors' fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Contributions to retirement benefit schemes HK\$'000	Equity-settled share-based payment HK\$'000	Total HK\$'000
Executive directors					
Mr. Chong Kok Leong	360	–	–	–	360
Mr. Zhuang Miao Zhong	240	–	–	–	240
Mr. Cheng Lut Tim	336	–	–	–	336
	936	–	–	–	936
Independent non-executive directors					
Mr. Choy Hiu Fai, Eric	100	–	–	–	100
Mr. Huang Lizhi (passed away on 18 December 2022)	100	–	–	–	100
Mr. Lam Yau Fung, Curt	100	–	–	–	100
	300	–	–	–	300
Total	1,236	–	–	–	1,236



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2021

	Directors' fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Contributions to retirement benefit schemes HK\$'000	Equity-settled share-based payment HK\$'000	Total HK\$'000
Executive directors					
Mr. Chong Kok Leong	360	–	–	–	360
Mr. Zhuang Miao Zhong	234	–	–	–	234
Mr. Cheng Lut Tim	336	–	–	–	336
	930	–	–	–	930
Independent non-executive directors					
Mr. Choy Hiu Fai, Eric	100	–	–	–	100
Mr. Huang Lizhi	100	–	–	–	100
Mr. Lam Yau Fung, Curt	100	–	–	–	100
	300	–	–	–	300
Total	1,230	–	–	–	1,230

There were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021. Apart from Directors, the Group has not classified any other person as chief executives during the years ended 31 December 2022 and 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

The five highest paid employees of the Group during the year included two (2021: one) directors, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining three (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, bonus and other benefits	3,083	3,182
Contributions to retirement benefits schemes	78	91
	3,161	3,273

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2022	2021
HK\$		
Nil – 1,000,000	2	2
1,000,001 – 2,000,000	1	2
	3	4



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

14. EMPLOYEES' EMOLUMENTS (continued)**(b) Senior management of the Company**

The emoluments of the senior management of the Company are within the following bands, including equity settled share-based payment:

	Number of individuals	
	2022 HK\$'000	2021 HK\$'000
HK\$ 1,000,001 – 2,000,000	1	1

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the highest paid individuals and senior management as an inducement to joining the Group or as compensation for loss of office.

15. DIVIDEND

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16. LOSS PER SHARE

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

	2022 HK\$'000	2021 HK\$'000
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	(51,972)	(65,923)
	2022 '000	2021 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	697,108	667,833

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2022 have been adjusted for the effects of placing of shares and rights issue of shares completed on 13 October 2022 and 16 January 2023 respectively and retrospectively. The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2021 have been adjusted for the effects of rights issue of shares completed on 16 January 2023 retrospectively by restating.

The calculation of the weighted average number of ordinary shares amounting to approximately 697,108,000 (2021: Restate at approximately 667,833,000) in issue for the year ended 31 December 2022 is as follows:

	Year ended 31 December	
	2022 '000	2021 '000
Number of issued shares on 1 January	523,331	523,331
Effect brought by the placing of shares	22,941	–
Effect of the rights issue	150,836	144,502
At the end of the year	697,108	667,833

During the year ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price of shares for both years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

17. INTANGIBLE ASSETS

	Patents HK\$'000
Cost	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	889,901
Accumulated amortisation and impairment loss	
At 1 January 2021	865,756
Amortisation expenses	2,467
Impairment for the year	21,678
At 31 December 2021, 1 January 2022 and 31 December 2022	889,901
Carrying amounts	
At 31 December 2022	–
At 31 December 2021	–

Notes:

- (a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC System") for its novelty and industrial applicability in the PRC under the cash generating unit of the Energy Saving Business.
- (b) As at 31 December 2022, the remaining useful life of the patents for UPPC system is 7.8 years (2021: 8.8 years).
- (c) The Group carried out a review of the recoverable amount of the patents which are allocated to the Energy Saving Business for impairment assessments. An impairment loss of approximately HK\$21,678,000 on the intangible assets allocated to the Energy Saving Business was recognised during the year ended 31 December 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

17. INTANGIBLE ASSETS (continued)

Patents have been allocated for impairment testing purposes to the following group of cash generating units (“CGU”):

- the Energy Saving Business

The Energy Saving Business CGU represented the entire provision of design and provision of energy saving solutions business operating segment of the Group (see Note 7 in the consolidated financial statements).

Impairment testing on patents for the year ended 31 December 2021

The recoverable amount of the above CGU was determined on the basis of value in use calculations. The recoverable amount is based on certain assumptions. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 10-year period. Given that the expected receipt of future economic benefits of projects are phased over its contractual life which generally lasts for 5 to 8 years, the management prepared a 10-year projection in order to better reflect the substance of such business model in the value in use of Energy Saving Business CGU. The pre-tax discount rate used is 19.15% per annum. Cash flows beyond 10-year period are extrapolated using a steady 2.51% growth rate per annum.

The management engaged an independent professional valuer to assess the value-in-use of Weldtech Group, which represented the CGU, as at 31 December 2021 which was used to determine the value-in-use of the CGU, after taking into account (i) the economic development of the PRC; (ii) the development of energy saving industry; (iii) the impact for outbreak of Novel Coronavirus (the “COVID-19”) in PRC and (iv) the expected business flow and development plan of the Energy Saving Business during the valuation process. Due to the slow-down of the PRC economy as a result of the COVID-19 Pandemic and financial crisis faced by the PRC developers during the year that impacted the market negatively, commercial activities as well as energy consumption of existing and potential customers were weakened and hence in the preparation of the cash flow forecasts for the valuation as at 31 December 2021, the management forecasted decreases in profits and cash flows compared to those forecasted in last year.

Impairment loss of approximately HK\$21,678,000 were recognised during the year ended 31 December 2021 in respect of the patents. The recoverable amount of the CGU was determined to be approximately HK\$21,000,000 as at 31 December 2021.

The decrease in the value-in-use valuation of the CGU and the resulting impairment loss HK\$21,678,000 during the year ended 31 December 2021 was mainly due to the following factors: (i) the slow-down in the PRC economy and the continuing outbreak of the COVID-19 that weakened the market demand; (ii) decrease in revenue compared with last year; (iii) a more conservative approach to forecasting future revenue in coming years; (iv) the fierce competition within the Energy Saving Business; and (v) continuous lowering of government subsidies. Due to above factors, an overall poor market sentiment in energy saving sector was resulted.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

17. INTANGIBLE ASSETS (continued)**Impairment testing on patents for the year ended 31 December 2021** (continued)

The key assumption and major parameters used in the value in use calculations for the year ended 31 December 2021 are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.
Risk-free rate	2.78%
Cost of equity (pre-tax)	21.26%
Discount rate (pre-tax)	19.15%
Terminal growth rate	2.51%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

18. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Computer HK\$'000	Total HK\$'000
Cost:				
At 1 January 2021	1,118	46	1,455	2,619
Addition	–	–	4	4
Exchange realignment	31	–	32	63
At 31 December 2021 and 1 January 2022	1,149	46	1,491	2,686
Exchange realignment	(98)	–	(105)	(203)
At 31 December 2022	1,051	46	1,386	2,483
Accumulated depreciation:				
At 1 January 2021	1,062	46	1,401	2,509
Charge for the year	–	–	12	12
Impairment for the year	58	–	46	104
Exchange realignment	29	–	32	61
At 31 December 2021 and 1 January 2022	1,149	46	1,491	2,686
Exchange realignment	(98)	–	(105)	(203)
At 31 December 2022	1,051	46	1,386	2,483
Carrying amounts				
At 31 December 2022	–	–	–	–
At 31 December 2021	–	–	–	–

During the year ended 31 December 2021, the directors assessed the recoverable amount of the property, plant and equipment based on a value in use calculation by reference to the valuation performed by an independent valuer, concluded that amounts of approximately HK\$104,000 was impaired in respect of the Energy Saving Business. Details of the key assumptions are set out in note 17.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

19. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
At 1 January 2021	306
Depreciation charge	(182)
Impairment for the year	(131)
Exchange realignment	7
At 31 December 2021 and 31 December 2022	–

The total cash outflow for leases for the year ended 31 December 2022 was approximately HK\$363,000 (2021: HK\$445,000).

During the year ended 31 December 2021, the directors assessed the recoverable amount of the right-of-use assets based on a value in use calculation by reference to the valuation performed by an independent valuer, concluded that amounts of approximately HK\$131,000 was impaired in respect of Energy Saving Business. Details of the key assumptions are set out in note 17.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

20. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables with normal credit terms	57,880	61,478
Less: Allowance for expected credit losses	(55,244)	(46,006)
Total trade receivables, net of allowance for expected credit losses	2,636	15,472

The ageing analysis of trade receivables is based on the invoice date, net of allowance for expected credit losses, as follows:

	2022 HK\$'000	2021 HK\$'000
0-90 days	2,604	1,017
91-180 days	32	–
Over 180 days	–	14,455
Total	2,636	15,472

According to the credit rating of different customers, the Group allows credit term average of 90 days to its customers. Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The directors of the Company consider that these balances are fully recoverable.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount.

Net allowance for expected credit losses of approximately HK\$13,830,000 has been recognised for trade receivables during the year ended 31 December 2022 (2021: HK\$26,803,000). Details of assessment for expected credit losses of trade receivables are set out in Note 5(b).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

21. CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Unbilled receivables (Note)	2,027	–
Less: Allowance for expected credit losses	(6)	–
Total unbilled receivables, net of allowance for expected credit losses	2,021	–

Note:

Unbilled receivables included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Net allowance for expected credit losses of approximately HK\$6,000 has been recognised for contract assets during the year ended 31 December 2022 (2021: nil). Details of assessment for expected credit losses of contract assets are set out in Note 5(b).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments	9,469	1,571
Receivables from disposal of a subsidiary (Note)	9,200	9,200
Other receivables	20	124
Refundable rental deposits and other deposits	4,296	315
	22,985	11,210
Less: Allowance for expected credit losses on other receivables	(9,200)	(9,200)
	13,785	2,010

Note:

As at 31 December 2022 and 2021, the receivables from disposal of a subsidiary amounting to HK\$9,200,000 was overdue and a allowance for expected credit losses of HK\$9,200,000 was provided in previous years. No movement in allowance account for years ended 31 December 2022 and 2021.

Details of assessment for expected credit losses of other receivables are set out in Note 5(b).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

23. FINANCE LEASE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Current portion of finance lease receivables	32,751	36,838
Non-current portion of finance lease receivables	12,631	42,834
	45,382	79,672
Less: Allowance for expected credit losses	(31,058)	(34,196)
	14,324	45,476

Leasing arrangements

Certain of the Group's energy saving equipments are leased out under finance leases. All leases are denominated in RMB. The term of finance lease entered into is range from 5–15 years (2021: range from 5–16 years).

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Not later than one year	33,281	41,195	32,751	36,838
Later than one year and not later than five years	10,670	22,466	5,271	16,736
Later than five years	17,515	66,629	7,360	26,098
	61,466	130,290	45,382	79,672
Less: Unearned finance income	(16,084)	(50,618)	–	–
Present value of minimum lease payments receivable	45,382	79,672	45,382	79,672
Less: Allowance for expected credit losses	(31,058)	(34,196)	(31,058)	(34,196)
	14,324	45,476	14,324	45,476



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

23. FINANCE LEASE RECEIVABLES (continued)

Analysed for reporting purposes as:

	2022 HK\$'000	2021 HK\$'000
Current assets	2,914	4,759
Non-current assets	11,410	40,717
	14,324	45,476

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is approximately 8.45% per annum for the years ended 31 December 2022 and 2021.

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 180 days after taking into consideration the recoverability of collateral and deposits.

Net reversal of allowance for expected credit losses of approximately HK\$195,000 has been recognised for finance lease receivables during the year ended 31 December 2022 (2021: net allowance for expected credit losses of approximately HK\$8,360,000). Details of assessment for expected credit losses of finance lease receivables are set out in Note 5(b).

24. CASH AND BANK BALANCES

Bank balances carry interest at market rates from 0.1% to 0.25% (2021: 0.01% to 0.35%). The fair value of these assets approximates the corresponding carrying amount.

The Group has bank deposits denominated in RMB, which expose the foreign currency risk. RMB is not freely convertible into other currencies. The carrying amounts of the Group's RMB denominated monetary assets at the end of the reporting period are as follows:

	2022 HK\$'000	2021 HK\$'000
RMB	3,930	4,662



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

25. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	2,738	664
Accrued expenses	1,800	2,106
Interest payables	4,584	5,085
Other payables	411	596
	9,533	8,451

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

	2022 HK\$'000	2021 HK\$'000
0 – 90 days	2,504	57
91 – 180 days	–	–
181 – 365 days	–	10
Over 365 days	234	597
	2,738	664

Trade payables are interest-free and normally settled on delivery. The average credit period for purchase of goods is 90 days.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

26. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Energy saving solutions income	8,819	935

Analysed for the reporting purposes as:

	2022 HK\$'000	2021 HK\$'000
Current	8,819	935

As at 1 January 2021, there was no contract liabilities.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2022 HK\$'000
Beginning of the year	935
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities balance at the beginning of the year	(935)
Increase in contract liabilities as a result of receiving receipts in advances	8,819
End of the year	8,819



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

27. LEASE LIABILITIES

	2022		2021	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	–	–	229	237
After one year but within two years	–	–	–	–
	–	–	229	237
Less: Total future interest expenses		–		(8)
Present value of lease liabilities		–		229

Analysed for reporting purposes as:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Current liabilities	–	229



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

28. OTHER BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Other borrowings	22,374	24,486
The carrying amounts of the above borrowing are repayable: Within one year shown under current liabilities	22,374	24,486

Notes:

During the year ended 31 December 2017, a subsidiary of the Group entered into a loan agreement with a lender for other borrowing with principal amount of approximately RMB20,000,000, which is guaranteed by the Company, and carried a fixed interest rate at 12% per annum. On 28 September 2018, the loan agreement was expired and carried the default interest rate at 17% (12% p.a. stated in loan agreement and 5% additional default interest) per annum. The Group was negotiating the extended agreement with the lender of other borrowing during the years ended 31 December 2018 and 2019.

On 24 March 2020, the Group entered into a supplemental loan agreement with the lender of other borrowing to extend the maturity date of other borrowing to 31 December 2021, pursuant to terms and conditions under the supplemental loan agreement. Under the supplemental loan agreement, it states that the interest rate, for the period from November 2018 to 31 December 2019 remained at 12% p.a.

On 20 December 2021, the Group entered into another supplemental loan agreement with the lender of other borrowing whereby the lender agreed the payment terms of the outstanding loan amount be revised such that the Group shall repay not less than 70% of the receipts from trade receivable to the lender within five working days of receipt of monies from the trade debtors.

During the year ended 31 December 2022, the Group agreed with the lender of other borrowing that the default interest rate remained at 12% p.a. up to 31 December 2021 and 17% p.a. from 1 January 2022 to repayment date.

The outstanding borrowing principal and accrued interests in full were transferred from CITIC International Assets Management Limited to Guangzhou ShuChuan Trading Company Limited* (廣州樹川貿易有限公司), an independent third party to the Group.



* For identification purposes only



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax recognised and movements thereon during the current and prior years:

	Intangible assets HK\$'000
At 1 January 2021	3,622
Credit to profit or loss (Note 12)	(3,622)
At 31 December 2021, 1 January 2022 and 31 December 2022	–

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$49,490,000 (2021: HK\$44,658,000) from the PRC available for offsetting against future taxable profits and will expire in ten years. No deferred tax assets have been recognised as it is uncertain that there will be sufficient future profits available to utilise the balances.

30. SHARE CAPITAL

	Number of shares		Share capital	
	2022 '000	2021 '000	2022 HK\$'000	2021 HK\$'000
Issued and fully paid:				
At the beginning of the year	523,331	523,331	3,177,339	3,177,339
Placing of shares (Note)	104,666	–	24,287	–
At the end of the year	627,997	523,331	3,201,626	3,177,339

Note:

On 13 October 2022, the Company placed 104,666,181 placing shares at the placing price of HK\$0.238 per placing share. The net proceeds of approximately HK\$24,287,000, after deducting the transaction costs of approximately HK\$623,000, are intended to be used for repayment of current liabilities and general working capital of the Group. Details of the placing of shares were set out in the Company's announcements dated 5 September 2022, 29 September 2022 and 13 October 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2022 HK\$'000	2021 HK\$'000
Non-current asset			
Interest in subsidiaries		–	–
Right-of-use assets		–	–
		–	–
Current assets			
Prepayments, deposits and other receivables		4,515	181
Amounts due from subsidiaries		–	32,236
Cash and bank balances		22,232	7,878
		26,747	40,295
Current liabilities			
Lease liabilities		–	88
Other payables and accruals		1,335	1,360
		1,335	1,448
Net current assets		25,412	38,847
Total assets less current liabilities		25,412	38,847
Net assets		25,412	38,847
Capital and reserves			
Share capital	30	3,201,626	3,177,339
Reserves		(3,176,214)	(3,138,492)
Total equity		25,412	38,847

Approved and authorised for issue by the board of directors on 27 March 2023 and signed on its behalf by:

Mr. Chong Kok Leong
Director

Mr. Zhuang Miao Zhong
Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY
(continued)

Movements of the Company's reserves

	Share capital HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021	3,177,339	2,762	(3,113,111)	66,990
Loss for the year	–	–	(28,143)	(28,143)
Forfeit of share option	–	(729)	729	–
At 31 December 2021 and 1 January 2022	3,177,339	2,033	(3,140,525)	38,847
Loss for the year	–	–	(37,722)	(37,722)
Issuance of shares in respect of placing (Note 30)	24,910	–	–	24,910
Transaction cost attributable to placing (Note 30)	(623)	–	–	(623)
Forfeit of share option	–	(437)	437	–
At 31 December 2022	3,201,626	1,596	(3,177,810)	25,412



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

32. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 were as follows:

Name of companies	Place of Incorporation/ operation	Issued and fully paid-up share/ registered capital	Percentage of equity attributable the Company				Principal activities
			2022		2021		
			Direct	Indirect	Direct	Indirect	
Total Global Holdings Limited	BVI	US\$50,000	100%	–	100%	–	Investment holding
Weldtech Technology Co., Limited	Hong Kong	HK\$1,724	–	100%	–	100%	Investment holding
濠信節能科技(上海)有限公司 ⁽¹⁾ (Haixin Technology (Shanghai) Company Limited)	PRC	Paid-up capital US\$12,380,000	–	100%	–	100%	the Energy Saving Business
濠信節能科技(宿遷)有限公司 ⁽¹⁾ Haixin Technology (Suqian) Company Limited	PRC	Paid-up capital HK\$27,800,000	–	100%	–	100%	the Energy Saving Business

(1) These companies are registered as wholly-foreign-owned enterprises with limited liability under PRC law.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

33. CAPITAL COMMITMENT

Capital commitments at each of the end of the reporting period contracted but not provided for in the consolidated financial statements were as follows:

	2022 HK\$'000	2021 HK\$'000
Commitments for the construction contract	954	5,807

34. RETIREMENT BENEFITS PLANS

The Group participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, the Group contribute 5% or HK\$1,500 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the PRC Schemes whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes.

The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

The total cost charged to the profit or loss of approximately HK\$79,900 (2021: HK\$91,000) represents contributions paid and payable to the MPF Scheme by the Group in respect of the current year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

35. SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the board of directors of the Company (the "Board") may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a director, chief executive or substantial shareholder or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved by the Company's shareholders. Options granted under the Share Option Scheme will entitle the holder to subscribe for shares from the date of grant up to the 10th anniversary of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

On 19 June 2020, a total of 116,203,500 options were granted to Directors and employees of the Group pursuant to the Share Option Scheme. The estimated fair value of share options granted on 19 June 2020 are approximately HK\$2,900,000 and out of approximately 1,790,000 share options with fair value of approximately HK\$437,000 were forfeited in relation to those Directors and employees resigned during the year ended 31 December 2022.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise multiple are incorporated into the Binomial Option Pricing Model.

The number of outstanding share options and subscription price per share option was adjusted from HK\$0.066 to HK\$0.656 per share option after taking into account of the effect of the Share consolidation and rights issue during the year ended 31 December 2020.

The number of outstanding share options and subscription price per share option was further adjusted from HK\$0.656 to HK\$0.570 per share option after taking into account of the effect of the rights issue on 16 January 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

35. SHARE OPTION SCHEME (continued)

The inputs into the model as grant date were as follows:

	2020
Grant date share price	HK\$0.055
Share price:	HK\$0.055
Exercise price:	HK\$0.066
Adjusted exercise price	HK\$0.570
Expected volatility:	67.55%
Risk-free rate:	0.32%
Expected dividend yield:	0%
Option period:	5 years
Fair value per option	HK\$0.0246-0.0269

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

During the year ended 31 December 2022, no share based payment expenses was recognised in relation to share option granted by the Company (2021: HK\$nil).

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
19 June 2020	Vested immediately from the date of grant	1 January 2021 to 31 December 2025	HK\$0.570 (2021: HK\$0.656)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

35. SHARE OPTION SCHEME (continued)

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2022

Category of grantee	Date of grant	Exercise Price per share	Exercise Price per share after adjustment	Expiry date	Balance as at 1.1.2022 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Forfeited during the year '000	Balance as at 31.12.2022 '000
Directors	19.6.2020	HK\$0.066	HK\$0.570	31.12.2025	1,887	-	-	-	-	1,887
Employees	19.6.2020	HK\$0.066	HK\$0.570	31.12.2025	6,253	-	-	-	(1,790)	4,463
					8,140	-	-	-	(1,790)	6,350
Exercisable at the end of the year										-
Weighted average exercise price (HK\$)					0.570	-	-	-	0.570	0.570
Weighted average remaining contractual life (years)										3

2021

Category of grantee	Date of grant	Exercise Price per share	Exercise Price per share after adjustment	Expiry date	Balance as at 1.1.2021 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Forfeited during the year '000	Balance as at 31.12.2021 '000
Directors	19.6.2020	HK\$0.066	HK\$0.656	31.12.2025	1,887	-	-	-	-	1,887
Employees	19.6.2020	HK\$0.066	HK\$0.656	31.12.2025	9,236	-	-	-	(2,983)	6,253
					11,123	-	-	-	(2,983)	8,140
Exercisable at the end of the year										-
Weighted average exercise price (HK\$)					0.656	-	-	-	0.656	0.656
Weighted average remaining contractual life (years)										4



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

36. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) Income or expense items:

	2022 HK\$'000	2021 HK\$'000
Interest expense paid to a company that became a related party after the implementation of the Scheme of Arrangement (Note)	2,053	4,040

The Directors are of the opinion that the transactions were entered into on normal commercial terms and in the ordinary course of the Group's business.

Note:

On 25 October 2019, the immediate holding company of the lender, CITIC International Assets Management Limited, increased the shareholding in the Company after the implementation of the scheme of arrangement and the lender became a related party of the Group with common shareholder.

On 9 December 2022, the outstanding borrowing principal and accrued interests in full were transferred from CITIC International Assets Management Limited to Guangzhou ShuChuan Trading Company Limited*(廣州樹川貿易有限公司), an independent third party to the Group.

(b) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in Note 13 to the consolidated financial statements. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

* For identification purposes only



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

37. 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 cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest payable HK\$'000	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2021	6,877	23,820	541	31,238
Changes from financing cash flows:				
Repayments of lease liabilities	–	–	(354)	(354)
Interest paid	(6,119)	–	–	(6,119)
Non-cash changes:				
Finance costs (Note 10)	4,040	–	36	4,076
Exchange realignment	287	666	6	959
At 31 December 2021 and 1 January 2022	5,085	24,486	229	29,800
Changes from financing cash flows:				
Repayments of lease liabilities	–	–	(231)	(231)
Interest paid	(2,119)	–	–	(2,119)
Non-cash changes:				
Finance costs (Note 10)	2,053	–	8	2,061
Exchange realignment	(435)	(2,112)	(6)	(2,553)
At 31 December 2022	4,584	22,374	–	26,958



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

38. EVENTS AFTER THE END OF REPORTING PERIOD

As announced by the Company on 13 January 2023, the Company raised net proceeds of approximately HK\$29.20 million, after deducting relevant expenses, by way of the rights issue on the basis of one rights share for every two existing ordinary shares by issuing up to 313,998,544 rights shares at the subscription price of HK\$0.10 per rights share.

As stated in the paragraph of Events after reporting period on page 12 of this report, the Company made the full and final settlement of the outstanding amount of the other borrowings on 14 March 2023.

39. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform to the current year's presentation.

40. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 27 March 2023.



SUMMARY OF FINANCIAL INFORMATION

For the year ended 31 December 2022

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2022, as extracted from the audited consolidated financial statements, is as set out below.

RESULTS

	2022 HK\$'000	For the year ended 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	23,306	7,583	7,985	41,272	50,506
Loss for the year attributable to owners of the Company	(51,972)	(65,923)	(67,422)	(109,325)	(1,371,738)
	HK cents	HK cents (restated)	HK cents	HK cents (restated)	HK cents
Loss per share					
– Basic	(7.46)	(9.87)	(17.33)	(42.42)	(59.47)
– Diluted	(7.46)	(9.87)	(17.33)	(42.42)	(59.47)

ASSETS AND LIABILITIES

	2022 HK\$'000	As at 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	60,171	82,311	157,776	190,757	281,240
Total liabilities	(40,726)	(34,101)	(45,062)	(47,749)	(1,162,231)
Net assets	19,445	48,210	112,714	143,008	880,911

