

2021 ANNUAL REPORT



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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hon Wai

*(former Chairman and Chief Executive Officer)
(resigned with effect from 30 January 2022)*

Chang Chien

*(Chairman)
(appointed as Chairman with effect from 4 February 2022)*

Lam Toi Man

Tse Tin

(resigned with effect from 31 January 2022)

Zhu Chengye

(appointed with effect from 4 February 2022)

Independent Non-executive Directors

To Chun Kei

Liu Jingwei

(resigned with effect from 31 January 2022)

Zheng Yanqing

(resigned with effect from 31 January 2022)

Weng Huaren

(appointed with effect from 4 February 2022)

Kam, Eddie Shing Cheuk

(appointed with effect from 22 April 2022)

COMPANY SECRETARY

Ng Yu Ho

SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

(appointed with effect from 18 January 2021)

Deloitte Touche Tohmatsu

Certified Public Accountants

(resigned with effect from 15 January 2021)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Room 2507, 25/F.

Tower 1, Lippo Centre

89 Queensway

Hong Kong

(with effect from 23 April 2021)

Unit 1905A, Level 19

International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

(with effect from 22 April 2022)

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

Note: In the case of any inconsistency between the Chinese translation and the English text of this annual report, the English text shall prevail.

CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”), I hereby present the results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Year**”).

The consolidated revenue of the Group decreased from approximately HK\$5.9 million for the year ended 31 December 2020 to approximately HK\$3.2 million for the Year. The loss attributable to owners of the Company was approximately HK\$39.9 million for the Year (2020: approximately HK\$85.6 million).

Since the outbreak of COVID-19 pandemic at the end of 2019, it has dealt a heavy blow to the economy and society. The pandemic not only has an unprecedented impact on daily life, but also on the business operations of various industries. At present, it is still difficult to predict when the pandemic will end. Even if the economic environment returns to normal, uncertainties still exist and the business environment in which the Group operates has become severe. The Group's business performance will inevitably continue to be negatively affected, and the prospect of investing in new markets will also face challenges.

During the Year, the Group will continue to support the development of the financial leasing business of its subsidiary, Guangdong Zi Yu Tai Finance Leasing Company Limited* (廣東資雨泰融資租賃有限公司) (“**Zi Yu Tai**”), and provide financial leasing services related to equipment for Chinese public hospitals, high-quality listed companies and private enterprises with good growth potential, under the premise of controlling risks, focusing on the sunrise industry and continuously expand the market of financial leasing.

Looking ahead to 2022, market conditions are expected to be similar to the second half of last year. Although the global economic and business environment is still affected by the uncertainties caused by COVID-19 pandemic and the long-term trade dispute between China and the United States, the Group will continue to create value for shareholders and seize opportunities, continue to optimize its business portfolio, and get ready for new investment opportunities. The Group will also continue to strengthen the governance of sustainable development, closely follow the pandemic situation and take all necessary measures to protect the interests of employees and business operations.

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

Chang Chien
Chairman

Hong Kong
29 April 2022

* *English translation for reference only.*

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the principal business activities of the Group comprise provision of finance lease and loan services and property investment; provision of the PPP Class 1 land development services; and management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”) in the People’s Republic of China (the “PRC”). The Group also operates LED EMC business through its investment in a joint venture.

During the Year, the consolidated revenue of the Group amounted to approximately HK\$3.2 million (2020: approximately HK\$5.9 million), representing a decrease of 45.8% as compared with last year, which mainly attributed to decline in the number of ongoing projects of finance lease business.

The net loss of the Group was approximately HK\$49.5 million during the Year, representing a decrease of approximately HK\$139.2 million as compared with the net loss of approximately HK\$188.7 million last year. The decrease in net loss was mainly attributable to (i) an impairment loss of approximately HK\$225.0 million on the Group’s intangible assets in relation to the PPP’s project was recorded in last year, while no such impairment loss was recorded during the Year; (ii) a deferred tax credited to profit or loss of approximately HK\$56.3 million in related to the impairment of intangible assets in last year, while no such deferred tax credit was recorded during the Year; (iii) a gain on disposal of subsidiaries of approximately HK\$52.6 million was recorded in last year, while no such gain was recorded during the Year; (iv) increase in share of profits of joint ventures by approximately HK\$10.0 million during the Year; and (v) decrease in finance costs by approximately HK\$12.6 million during the Year.

OPERATIONAL REVIEW

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

During the Year, due to resurgence of COVID-19 in both Hong Kong and the PRC, continued travel restrictions were imposed by the governments, a few discussions of new projects, which were in advanced form, are yet to be finalised and enter into final contracts. The total revenue recorded for the Year decreased to approximately HK\$3.2 million (2020: approximately HK\$5.9 million), representing a decrease of approximately 45.8%.

The Group has disposed all of its commercial properties in last year, and the Group no longer holds any investment properties since then.

(2) PPP Class 1 Land Development Business

During the Year, no revenue was recorded in the Group’s business in the PPP Class 1 land Central New Coastal City* (中部濱海新城) and the construction of Ronggang Avenue* (融港大道) (collectively referred to as the “Project”) at Fuqing City, Fujian Province (2020: Nil).

During the Year, the loss of this segment decreased to approximately HK\$18.6 million (2020: approximately HK\$241.5 million), mainly due to no impairment provided for intangible assets during the Year.

(3) LED EMC Business

The Group operates LED EMC business through its investment in a joint venture in previous years.

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

* English translation for reference only.

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Affected by various unfavorable factors such as the COVID-19 outbreak, industries around the world have suffered from hidden worries, weakened economic activities, and intensified business competition pressure. It is challenging to invest in new markets. Looking forward, in the course of its business development, the Group will adopt a prudent and proactive development policy to continue to develop the existing businesses of the Company under the premise of controlling the business risks, and continue to look for new commercial investment opportunities to expand valuable businesses.

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. Looking forward, the Group will continue to optimize its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the pandemic, the Group will support the development of the finance lease business of its subsidiary Zi Yu Tai to provide finance lease services for related equipment to Chinese public hospitals, high-quality listed companies and private enterprises with good growth. On the premise of controlling the risks, the Group will focus on sunrise industries and continuously expand the finance lease market.

Regarding PPP Class 1 land development business, the development of the Project involves a total of 3,990 mu of land available to be developed for commercial and residential uses. Due to changes in relevant domestic laws and regulations and changes in the government's attitude towards the Project, the development of the Project is suspended. The Group filed a lawsuit with Intermediate People's Court of Putian Municipality* (莆田市中级人民法院) (the “**Putian Court**”) in May 2018, aiming to request Fuqing Municipal People's Government* (福清市人民政府) (the “**Fuqing Government**”) to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group. As a result, the land development of the Project will continue to be suspended. The Group filed an appeal to the High People's Court of Fujian Province* (福建省高级人民法院) (the “**High People's Court**”) in June 2020 to protect its interests. The High People's Court has accepted the appeal on 6 August 2020 and the Group is expecting the notice of hearing. The hearing will be scheduled at the discretion of the High People's Court. Besides, the Group has started mediation to resolve the dispute with Fuqing Government during the Year. The Group will still try its best to restart the Project as soon as practicable.

FINANCIAL RESOURCES

As at 31 December 2021, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,307.5 million (2020: approximately HK\$1,268.8 million). Cash and bank balances amounted to approximately HK\$28.8 million (2020: approximately HK\$39.7 million). Net debt amounted to approximately HK\$1,278.7 million (2020: approximately HK\$1,229.1 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK\$743.9 million (2020: approximately HK\$727.1 million), was 171.9% (2020: 169.0%).

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

STAFF BENEFITS

As at 31 December 2021, the Group had a total of 29 employees (2020: 31). The staff costs for the Year amounted to approximately HK\$8.6 million (2020: approximately HK\$8.0 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the Year.

* *English translation for reference only.*

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

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

PLEDGE OF ASSETS

As at 31 December 2021, the Group had pledged certain finance lease receivables for bank borrowings granted.

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

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

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION

The auditor of the Company issued qualified opinions in the independent auditor's report relating to the audit of the consolidated financial statements of the Group for the Year. In view of the qualified opinion, the Board would like to provide the following additional information.

Details of the audit qualifications and management's position and basis on major judgmental areas

(1) Intangible assets and related deferred tax liabilities (the "First Qualification")

The intangible assets are recognised in respect of land development contracts in relation to the Project. While the related deferred tax liabilities are recognised for the taxable temporary differences in respect of intangible assets, at the tax rate of 25%. The Project was suspended since November 2017 and impairments were provided on the intangible assets and related deferred tax liabilities recognised were then credited to profit or loss during the years ended 31 December 2020 and 2019.

As discussed in the "Business Outlook" section and note 17 to the financial statements, the Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group in relation to the Project. The Group then filed an appeal to the High People's Court in June 2020 to protect its interests. During the Year, the Group is still expecting the notice of hearing for the appeal, which is at the discretion of the High People's Court. Besides, the Group has started mediation to resolve the dispute with Fuqing Government during the Year.

For the year ended 31 December 2020, the Group has received the judgement from Putian Court and filed an appeal in June 2020. In view of uncertainty of the appeal result, the management further provided impairment for the remaining value of the intangible assets of approximately HK\$225.0 million. The related deferred tax liabilities recognised of approximately HK\$56.3 million as at 31 December 2019 were then credited to profit or loss as there are no taxable temporary differences in respect of the fully impaired intangible assets.

For the Year, there are no results from the appeal or the mediation so far. Therefore, no reversal of impairment on intangible assets and corresponding deferred tax charged during the Year.

Due to the outcome of the appeal or the mediation is uncertain, auditor were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy and recoverability of the intangible assets, to the related impairment of intangible assets, to the carrying amount of deferred tax liabilities and to the deferred tax credit for the Year and the year ended 31 December 2020.

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

Details of the audit qualifications and management's position and basis on major judgmental areas (continued)

(2) *Contract costs (the "Second Qualification")*

Contract cost represented capital expenditures incurred related to the Project. Land preparation works were done during the year 2014 to 2018 and the costs mainly included demolition compensation fees, survey fees and related construction costs.

With reference to the Investment and Construction Cooperation Agreement (the "**Agreement**") between Fuqing Government (as Party A) and the Group (as Party B), clause 16.5.2 of the Agreement provides that "In the case of the termination or dissolution caused by the breach of contract or the reasons non-attributable to Party B, Party A shall pay Party B the amount of compensation for the actual investment, interest and construction costs that Party B has been paid in this project and in accordance with this Agreement." The calculation criteria of financial expenses are calculated according to clause 6.2.3(5) of the Agreement, "The calculation rate of the financial expenses of construction costs, other costs of construction and construction land fees shall be calculated at 30% plus the benchmark interest rate of the People's Bank of China loans rate during the same period."

The Agreement was terminated by the Fuqing Government, according to clauses above, Fuqing Government shall compensate for the comprehensive cost of the Project and the corresponding financial expenses incurred. Thus, the management considered that the contract cost is fully recoverable and no impairment should be provided for the Year and the year ended 31 December 2020. Besides, as discussed above in the First Qualification, the Group has started the mediation to resolve the dispute with the Fuqing Government during the Year, however, no result from the mediation so far. The procedure to claim the contract cost is complicated and take time, the timing to recover the contract cost is uncertain.

Due to the outcome of the mediation is uncertain, the auditor were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the contract costs for the Year and the year ended 31 December 2020.

(3) *Promissory note receivables (the "Third Qualification")*

On 4 December 2015, Kingfun Investment Limited ("**Kingfun**") acquired 17.5% issued shares of Spotwin Investment Limited ("**Spotwin**") from Ontex Enterprises Limited ("**Ontex**"), an indirect non wholly-owned subsidiary of the Company. Spotwin is the holding company of those project companies of the Project. Kingfun issued the promissory note to Ontex to settle part of the considerations.

The promissory note was originally due on 15 June 2018, and a deed of replacement as entered and the maturity date was then extended to 15 June 2019. No repayments received or new deed of replacement was entered on the due date, an impairment loss of approximately HK\$26.7 million was recognised during the year ended 31 December 2019.

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

Details of the audit qualifications and management’s position and basis on major judgmental areas (continued)

(3) *Promissory note receivables (the “Third Qualification”) (continued)*

For the Year and the year ended 31 December 2020, the management have considered the promissory note was secured by the 17.5% of the issued share capital of Spotwin, its value mainly depend on continuation of the Project, which the result is uncertain depend on the progress and results of the appeal or the mediation with Fuqing Government as mentioned above. Besides, as at 31 December 2021 and 2020, the Group has an outstanding loan from Kingfun of approximately HK\$16.9 million respectively. The management have considered above factors and concluded that 30% impairment provided on the gross carrying amount of approximately HK\$89.0 million (i.e. approximately HK\$26.7 million) is sufficient, and thus no further impairment provided for the Year and the year ended 31 December 2020.

Due to the outcome of the appeal or the mediation is uncertain, auditor were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of promissory note receivables and related interest receivables for the Year and the year ended 31 December 2020. There are no other satisfactory audit procedures that the auditor could adopt to determine whether any expected credit losses on promissory note receivables and related interest receivables for the Year and the year ended 31 December 2020 should be recognised or reversed.

(4) *Trade receivables (the “Fourth Qualification”)*

The trade receivables were entirely related to sales of construction material to two customers in 2017 with gross amount of approximately RMB60.1 million as at 31 December 2017. The customers repaid RMB2.5 million, RMB1.8 million and RMB8.2 million during 2020, 2019 and 2018 respectively, while no repayment was made during the Year. The gross receivables amount as at 31 December 2021 and 2020 were approximately RMB47.6 million respectively. The impairment provided were approximately RMB31.1 million as at 31 December 2021 and 2020 respectively and the net receivables amount were approximately RMB16.5 million as at 31 December 2021 and 2020 respectively.

The management monitors the repayment progress and the financial conditions of the outstanding customers on an ongoing basis. The customers have repaid part of the outstanding amounts during the previous years, also the customers have signed the repayment schedules with the Group in March 2021. The management expects the outstanding trade receivables at 31 December 2020 will be recovered gradually and therefore no further expected credit losses was provided for the year ended 31 December 2020.

During the Year, as the customers failed to repay per the repayment schedules, the Group has appointed a PRC law firm to issue demands for payment to the customers in November 2021, requesting them to repay the outstanding amounts. The management expects the outstanding trade receivables at 31 December 2021 will be recovered through further legal actions and therefore no further expected credit losses was provided during the Year.

The auditor considered that there is uncertainty on assessing the creditworthiness of the customers and recoverability of outstanding trade receivables and there are no other satisfactory audit procedures that they could adopt to determine whether the expected credit losses on trade receivables for the Year and the year ended 31 December 2020 should be recognised or reversed.

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

The Audit Committee's view

The audit committee of the Company (the “**Audit Committee**”) has carefully reviewed the basis of the qualified opinions and understood the auditor's concern and held the same view as the auditor. The Audit Committee has also reviewed the management's position above and agreed with such position addressing the issues.

The Group's plans to address and removal of the audit qualifications

(1) *The First Qualification and Second Qualification*

The Group will actively follow up the status of the mediation with Fuqing Government. If there are still no result from the mediation by June 2022, the Group will contact and enquire the High People's Court for scheduled time of hearing and the status of the appeal.

If the appeal has been concluded or any arrangement has been agreed with Fuqing Government before the audit work for the next year's annual report, the Board expects the First Qualification and Second Qualification on related issue can be removed for the year ending 31 December 2022.

(2) *The Third Qualification*

The management is in the progress of making assessments of possible solutions to recover the promissory note, depend on the results of the appeal or the mediation with Fuqing Government.

The Group has appointed a law firm to issue demand for payment to Kingfun in March 2022, requesting Kingfun to repay the outstanding amounts. If Kingfun failed to repay per the demand, a final demand letter will be served to Kingfun for warning Kingfun that the Group may commence legal proceedings to enforce the debt, or exercise the right on the share charge over 17.5% of the issued share capital of Spotwin.

If the appeal has been concluded or any arrangement has been agreed with Fuqing Government and any result obtained from legal actions, before the audit work for the next year's annual report, the Board expects the Third Qualification on related issue can be removed for the year ending 31 December 2022.

(3) *The Fourth Qualification*

The Group has appointed a PRC law firm to issue demands for payment to the customers in November 2021, requesting them to repay the outstanding amounts. If they failed to repay per the demands by June 2022, the Group may commence legal proceedings to enforce the debt.

The Board will closely monitor the progress of legal actions and expects the Fourth Qualification on related issue can be removed for the year ending 31 December 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chang Chien (“**Mr. Chang**”), aged 45, has been the chairman of the Board since 4 February 2022, he has been an executive Director and member of the remuneration committee of the Company (the “**Remuneration Committee**”) since 18 September 2020. Mr. Chang graduated from City University of Hong Kong with a bachelor of arts (honours) degree in public and social administrations. Mr. Chang currently serves as a director of Citichamp (Holdings) Limited and is responsible for managing the investment portfolio for the family office and overseeing the company’s operations, business development and compliance related issues. Mr. Chang previously was a sales director for China Yinsheng International Securities Limited (“**China Yinsheng**”) where he supervised the sales team and assisted the company in business development strategy. He was also responsible for developing long-term business relationship with clients. Prior to joining China Yinsheng, Mr. Chang was a director of Shun Heng Securities Limited, where his managerial role covered business operation, risk management and institutional order execution. Mr. Chang is also a director of Citychamp Dartong Co. Ltd. (Shanghai Stock Exchange No. 600067). Mr. Chang is the son-in-law of Mr. Hon Kwok Lung, controlling shareholder of Sincere View International Limited, a substantial shareholder of the Company.

Mr. Lam Toi Man (“**Mr. Lam**”), aged 64, has been an executive Director and member of the nomination committee of the Company (the “**Nomination Committee**”) since 18 September 2020. Mr. Lam has many years of experience in property development in Mainland China. Mr. Lam was the general manager of Zhejiang Huashun Real Estate Investment Co., Ltd.* (浙江華順房地產投資有限公司) and an executive director and the general manager of Hangzhou Yuanhua Mart Construction Co., Ltd.* (杭州元華商城建設有限公司). Mr. Lam was an executive director of Citychamp Watch & Jewellery Group Limited (“**Citychamp**”), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 256) from August 2004 to January 2022. Mr. Lam is the brother-in-law of Mr. Hon Kwok Lung, controlling shareholder of Sincere View International Limited, a substantial shareholder of the Company.

Mr. Zhu Chengye (“**Mr. Zhu**”), aged 38, has been an executive Director since 4 February 2022. Mr. Zhu graduated from Macquarie University of Australia in 2007 with a bachelor degree of Applied Finance. Mr. Zhu graduated from China University of Political Science and Law with a master degree of Law in 2017. He served as The Chairman’s Assistant of Zhongtou Investment Guarantee Co. Ltd during 2008 to 2015, completed a number of acquisition guarantee businesses. During 2015 to 2020, Mr. Zhu served as Deputy President of the Bank of Beijing Jianguo Branch, and President of Nanwei Lu Branch, provide financing service to technology business clients. Mr. Zhu is also a Director of a subsidiary of Citychamp.

* *English translation for reference only.*

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei (“**Mr. To**”), aged 55, has been an independent non-executive Director of the Company since 18 September 2020. He is the chairman of each of the Audit Committee and Remuneration Committee and a member of Nomination Committee. Mr. To graduated from the University of Western Sydney with a bachelor degree in Business Administration in 1999 and received a master degree in Professional Accounting from the Hong Kong Polytechnic University in 2009. Mr. To is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2004 to 2011, he was an independent non-executive Director, chairman of the audit committee and remuneration committee of China Development Bank International Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1062). Since October 2016, Mr. To has been appointed as an independent non-executive director of Ernest Borel Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1856). Moreover, Mr. To is currently the Hong Kong and Macau business partner of Beijing Central Finova Financial Services Co., Ltd.* (北京中央金創金融服務股份有限公司).

Mr. Weng Huaren (“**Mr. Weng**”), aged 55, has been an independent non-executive Director of the Company since 4 February 2022. He is the member of each of the Audit Committee, Remuneration Committee and Nomination Committee. He was graduated from Xiamen University in 1987, with a bachelor degree of Finance. Mr. Weng has over 30 years extensive experience in Agricultural Bank of China. During July 1987 to August 1988, he worked in Agricultural Bank of Fuqing. From September 1988 to March 2009, he worked in the Audit Department of Fujian Agricultural Bank and served as Assistant to the Chief and Deputy Chief. From March 2009 to October 2013, he served as Deputy Secretary of the Party Committee and Deputy President of Agricultural Bank of Quanzhou City. From November 2013 to June 2014, he served as General Manager of the Institutional Business Department of Fujian Agricultural Bank. From July 2014 to December 2016, he served as Secretary of the Party Committee and President of Agricultural Bank of Putian City. From January 2017 to July 2020, he served as the general manager of the Internal Control and Compliance Department of Fujian Agricultural Bank.

Mr. Kam, Eddie Shing Cheuk (“**Mr. Kam**”) (formerly known as Kam Leung Ming), aged 47, has been an independent non-executive Director of the Company since 22 April 2022. He is the member of the Audit Committee. He holds a bachelor’s degree in accountancy and a master’s degree in corporate governance from the Hong Kong Polytechnic University. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England and Wales, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Chartered Governance Institute. Mr. Kam has over 24 years of experience in auditing, professional accounting and worked for several Hong Kong listed companies of various industries and served senior roles in financial management and secretarial functions. Mr. Kam is currently an executive director and company secretary of Get Nice Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 64); an independent non-executive director of Ever Harvest Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1549) and Genes Tech Group Holdings Company Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, Stock Code: 8257). He is an independent non-executive director of Citychamp (a company listed on the Main Board of the Stock Exchange, Stock Code: 256) since 6 November 2020. He is a non-executive director of Pangaea Connectivity Technology Ltd. (a company listed on the Main Board of the Stock Exchange, Stock Code: 1473) since 19 February 2021. He was an independent non-executive director of Xiezhong International Holdings Limited (a company previously listed on the Main Board of the Stock Exchange, Stock Code: 3663) from 16 December 2020 to 8 July 2021. He was an independent non-executive director of Casablanca Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 2223) from April 2015 to May 2017 and also an executive director and company secretary of Get Nice Financial Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1469) from September 2015 to April 2017.

Mr. Kam was appointed as a director of the board of directors of the 6TH Term Guangzhou Overseas Friendship Association Committee in March 2013, a committee member of the Chinese People’s Political Consultative Conference Shanghai Committee (Baoshan District) in December 2016 and a director of the board of directors of the 7TH Term Shenzhen Overseas Friendship Association Committee in 2017.

* *English translation for reference only.*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 40 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2021 as well as discussion on the future business development, principal risks and uncertainties of the Group are provided in the Chairman's Statement on page 3, the Business Review – Management Discussion and Analysis on pages 4 to 9, and note 38 to the financial statements of this annual report (the “**Annual Report**” or “**this report**”). An analysis using financial key performance indicators can be found in the Business Review – Management Discussion and Analysis on pages 4 to 9 of the Annual Report. The above sections form part of this report.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Stock Exchange introduced Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange which took effect in 2016. We have envisaged and adopted the ESG Reporting Guide in writing of the said report. Please refer to the Environmental, Social and Governance Report on pages 31 to 49 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

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

RESULTS AND DIVIDEND

The Group's results for the Year and the Group's financial position as at 31 December 2021 are set out in the financial statements on pages 54 to 57 of this report.

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 128 of this report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the Year are set out in notes 31 and 32 to the financial statements, respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group are set out in note 29 to the financial statements.

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

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

SHARES ISSUED

As at 31 December 2021, the total number of issued shares of the Company (the "Shares") was 5,943,745,741. As compared with the position as at 31 December 2020, no new Shares were issued during the Year.

EQUITY-LINKED AGREEMENTS

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance").

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 96.8% of the total sales for the Year and sales to the largest customer included therein amounted to 51.6%.

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

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Chan Hon Wai (*former Chairman and Chief Executive Officer*) (*resigned with effect from 30 January 2022*)

Chang Chien (*Chairman*) (*appointed as Chairman with effect from 4 February 2022*)

Lam Toi Man

Tse Tin (*resigned with effect from 31 January 2022*)

Zhu Chengye (*appointed with effect from 4 February 2022*)

Independent Non-executive Directors

To Chun Kei

Liu Jingwei (*resigned with effect from 31 January 2022*)

Zheng Yanqing (*resigned with effect from 31 January 2022*)

Weng Huaren (*appointed with effect from 4 February 2022*)

Kam, Eddie Shing Cheuk (*appointed with effect from 22 April 2022*)

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

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

Accordingly, Mr. Zhu Chengye, Mr. Weng Huaren and Mr. Kam, Eddie Shing Cheuk will retire from office, and being eligible, will offer themselves for re-election at the forthcoming AGM.

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

Accordingly, Mr. Chang Chien will retire from office by rotation, and being eligible, will offer himself for re-election at the forthcoming AGM.

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

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 10 to 11 of the Annual Report. Mr. Chang Chien, the chairman of the Board, is the senior management of the Group.

CHANGES IN INFORMATION OF DIRECTORS

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

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as 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") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares:

Name of Director	Number of Shares held, capacity and nature of interests		Percentage of the Company's issued Shares [#]
	Personal interests	Total	
Chan Hon Wai (Note)	798,214,445	798,214,445	13.43%

[#] The total number of issued Shares as at 31 December 2021 was 5,943,745,741.

REPORT OF THE DIRECTORS

Note:

Pursuant to an agreement between Sincere View International Limited (“**Sincere View**”) and Mr. Chan Hon Wai dated 9 April 2021, upon the fulfillment of the condition precedent in the agreement, Sincere View will transfer 50% interests of Shares which represented 798,214,445 Shares to Mr. Chan Hon Wai.

Mr. Chan Hon Wai has resigned as executive Director, the chief executive officer of the Company and chairman of the Board with effect from 30 January 2022.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the AGM of the Company held on 25 June 2015, the Company adopted a share option scheme (the “**Share Option Scheme**”), following the Company’s share option scheme having expired on 14 April 2015 (the “**Expired Share Option Scheme**”), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption. Further details of the Share Option Scheme are disclosed in note 32 to the financial statements.

As at 31 December 2021, there are no share options outstanding under the Share Option Scheme or the Expired Share Option Scheme.

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

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

REPORT OF THE DIRECTORS

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

As at 31 December 2021, the interests and short positions of the substantial shareholders and other persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares [#]
Sincere View	(a)	Long	Beneficial owner	798,214,445	13.43%
Hon Kwok Lung ("Mr. Hon")	(a)	Long	Interest of controlled corporation	798,214,445	13.43%
Lam Suk Ying ("Ms. Lam")	(a)	Long	Interest of spouse	798,214,445	13.43%

[#] The total number of issued Shares as at 31 December 2021 was 5,943,745,741.

Note:

- (a) Mr. Hon holds 80% and his wife, Ms. Lam holds 20% interests in Sincere View, which is a substantial shareholder of the Company holding 798,214,445 Shares. Mr. Hon and his wife Ms. Lam are deemed to have an interest in the same parcel of 798,214,445 Shares.

Save as disclosed above, as at 31 December 2021, so far as known to any Director or the chief executive of the Company, no substantial shareholders or other persons, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying shares" above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTION

During the Year, the Group did not enter any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

The Directors consider that all the related party transactions disclosed in note 35 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

REPORT OF THE DIRECTORS

AUDITOR

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

ON BEHALF OF THE BOARD

Chang Chien

Chairman and Executive Director

Hong Kong

29 April 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code", version up to 31 December 2021) contained in Appendix 14 to the Listing Rules during the Year, save and except as disclosed hereunder:

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

The post of chief executive officer of the Company has remained vacant since 30 January 2022. The duties of chief executive officer had been performed by other executive Directors. As there is a clear division of responsibilities of each director, the vacancy of the post of chief executive officer did not have any material impact on the operations of the Group. Nevertheless, the Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the role of chief executive officer and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary;

- (ii) code provision A.4.1 of the CG Code stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with Articles of Association; and
- (iii) code provision D.1.4 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by Directors and relevant employees of the Group who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company's securities. The Directors and such relevant employees are required to strictly comply with the Model Code when dealing in the securities of the Company. Following specific enquiry made by the Company, all the Directors and such relevant employees confirmed that they had complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprised six Directors, with three executive Directors (the “**Executive Directors**”) and three independent non-executive Directors (“**INEDs**”). The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors:

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

INEDs:

To Chun Kei
Liu Jingwei (*resigned with effect from 31 January 2022*)
Zheng Yanqing (*resigned with effect from 31 January 2022*)
Weng Huaren (*appointed with effect from 4 February 2022*)
Kam, Eddie Shing Cheuk (*appointed with effect from 22 April 2022*)

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors” on pages 10 to 11 of the Annual Report. Save as the disclosed information, the Directors have no financial, business, family or other material/relevant relationships with each other.

Duties of the Board

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions and Duties

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

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in this report.

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

- (a) reviewed the Company's corporate governance policies and practices;
- (b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) reviewed the Company's compliance with the CG Code and disclosure in this report;
- (d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and
- (e) reviewed the code of conduct and compliance manual applicable to employees of the Group and the Directors.

Management Functions

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

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of each regular Board meeting or Board committee meeting. The Company Secretary is responsible for keeping minutes of the Board and Board committee meetings.

CORPORATE GOVERNANCE REPORT

Board Meetings (continued)

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

Name of Directors	Number of meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Chan Hon Wai <i>(former Chairman and Chief Executive Officer)</i> <i>(resigned with effect from 30 January 2022)</i>	8/8	N/A	N/A	1/1	1/1
Mr. Chang Chien <i>(Chairman)</i> <i>(appointed as Chairman with effect from 4 February 2022)</i>	8/8	N/A	1/1	N/A	1/1
Mr. Lam Toi Man	8/8	N/A	N/A	1/1	1/1
Mr. Tse Tin <i>(resigned with effect from 31 January 2022)</i>	8/8	N/A	1/1	N/A	1/1
Mr. Zhu Chengye <i>(appointed with effect from 4 February 2022)</i>	N/A	N/A	N/A	N/A	N/A
INEDs					
Mr. To Chun Kei	8/8	2/2	1/1	1/1	1/1
Mr. Liu Jingwei <i>(resigned with effect from 31 January 2022)</i>	8/8	2/2	1/1	1/1	1/1
Mr. Zheng Yanqing <i>(resigned with effect from 31 January 2022)</i>	8/8	2/2	1/1	1/1	1/1
Mr. Weng Huaren <i>(appointed with effect from 4 February 2022)</i>	N/A	N/A	N/A	N/A	N/A
Mr. Kam, Eddie Shing Cheuk <i>(appointed with effect from 22 April 2022)</i>	N/A	N/A	N/A	N/A	N/A

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

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Where queries are raised by Directors, prompt and full responses will be given if possible. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Each Director has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the extent of such insurance every year.

INEDs

As at the date of this report, the number of Directors was six, of which three Directors were INEDs, representing more than one-third of the Board.

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

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

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

Name of Directors	Participation in Continuous Professional Development Activities	
	Attending trainings/ briefings/seminars/ conference	Reading regulatory updates
Executive Directors		
Chan Hon Wai (<i>former Chairman and Chief Executive Officer</i>) (<i>resigned with effect from 30 January 2022</i>)	√	√
Chang Chien (<i>Chairman</i>) (<i>appointed as Chairman with effect from 4 February 2022</i>)	√	√
Lam Toi Man	√	√
Tse Tin (<i>resigned with effect from 31 January 2022</i>)	√	√
Zhu Chengye (<i>appointed with effect from 4 February 2022</i>)	N/A	N/A
INEDs		
To Chun Kei	√	√
Liu Jingwei (<i>resigned with effect from 31 January 2022</i>)	√	√
Zheng Yanqing (<i>resigned with effect from 31 January 2022</i>)	√	√
Weng Huaren (<i>appointed with effect from 4 February 2022</i>)	N/A	N/A
Kam, Eddie Shing Cheuk (<i>appointed with effect from 22 April 2022</i>)	N/A	N/A

Appointment and Re-election of Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors (continued)

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The post of chief executive officer of the Company has remained vacant since 30 January 2022. The duties of chief executive officer had been performed by other executive Directors. As there is a clear division of responsibilities of each director, the vacancy of the post of chief executive officer did not have any material impact on the operations of the Group. Nevertheless, the Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the role of chief executive officer and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

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

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

- (i) reviewed and recommended for the Board’s approval of the interim and annual results, the interim report and annual report and other financial statements;
- (ii) considered and discussed the reports and presentations from the external auditors and the senior management, respectively, with particular focus on the appropriateness of accounting policies and practices, areas of judgment, compliance with the Hong Kong Financial Reporting Standards and other legal requirements in relation to financial reporting;
- (iii) recommended to the Board on the appointment and re-appointment of the external auditors and the relevant terms of engagement, including their remuneration;
- (iv) reviewed the risk management and internal control systems of the Group and the effectiveness of the Group’s internal audit function for the Year which covered financial, operational and compliance controls. The process used in such review included discussions with the management of the Company on the risk areas identified and the review of findings and reports from an independent professional advisor. The Audit Committee reviewed and concurred with the management’s confirmation that the Group’s risk management and internal control systems were effective and adequate for the Year; and
- (v) reviewed and was satisfied with the adequacy of the resources, staff qualification and experience, training programmes and budget of the Company’s accounting, financial reporting and internal audit functions.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

As at the date of this report, the Remuneration Committee comprised three members, namely, Mr. To Chun Kei (chairman of the Remuneration Committee), Mr. Chang Chien and Mr. Weng Huaren.

The Remuneration Committee shall meet at least once a year. During the Year, one meeting of the Remuneration Committee was held and the attendance of the members was set out in the sub-section headed “Board Meetings” of this report.

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

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

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

Nomination Committee

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

The Nomination Committee shall meet at least once a year. During the Year, one meeting of the Nomination Committee was held and the attendance of the members was set out in the sub-section headed “Board Meetings” of this report.

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

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

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

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Board has adopted a dividend policy (the “**Dividend Policy**”) on 31 December 2018 in recommending dividends, to allow the shareholders to participate in the Company’s profits and enable the Company to retain adequate reserves for future growth. The Dividend Policy allows the Company to declare special dividends from time to time in addition to interim and/or final dividends.

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

Nomination Policy

The Board has adopted a nomination policy on 31 December 2018 in relation to the nomination, appointment, re-appointment of Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates’ character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and/or Board Committee(s) of the Company, any potential contributions the candidate can bring to the Board and such other perspectives that are appropriate to the Company’s business.

Board Diversity Policy

The Board revised the Board diversity policy on 31 December 2018 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversified perspectives with reference to gender, age, cultural and educational background, professional qualifications and experience, skills, knowledge, industry and regional experience and length of service.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards. Except from the conditions disclosed in note 2 to the financial statements, the Directors are not aware of any other events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. The financial statements are prepared on a going concern basis, after taking into consideration the various measures set out in note 2 to the financial statements.

The responsibilities of the auditors with respect to the financial statements are set out in the “Independent Auditor’s Report” annexing in the Annual Report.

The Company has published its annual and interim results, in accordance with the requirements of the Listing Rules and other relevant regulations, in a timely manner within three months and two months respectively after the end of the relevant periods.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

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

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

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

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

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

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

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

Auditors' Remuneration

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

Services rendered for the Group	HK\$'000
Audit services	1,150
Non-audit services (<i>including review of interim results</i>)	200
	1,350

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company engages external service providers to provide company secretarial services and has appointed Mr. Ng Yu Ho (“**Mr. Ng**”) as the Company Secretary with effect from 1 June 2019. Mr. Ng is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and fulfilled the requirements under Rule 3.28 of the Listing Rules. He undertook not less than 15 hours of relevant professional training during the Year as required under Rule 3.29 of the Listing Rules. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed. Mr. Ng is not an employee of the Group and Mr. Chan Hon Wai, the former chairman of the Board and Mr. Chang Chien, the chairman of the Board, is the person whom Mr. Ng can contact for the purpose of code provision F.1.1 of the CG Code.

COMMUNICATION WITH THE SHAREHOLDERS

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

The general meetings of the Company provide a forum for communication between the Board and the shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend the AGM. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

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

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

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene General Meeting

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

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

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

CORPORATE GOVERNANCE REPORT

Shareholders' Right to Put Enquiries to the Board

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

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

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

Shareholders' Right to Put Forward Proposals at General Meetings

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

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

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

Overview

The board of directors (the “**Board**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”) is pleased to present this Environmental, Social and Governance (hereinafter called “**ESG**”) Report (the “**Report**”) of the Company and its subsidiaries (collectively as the “**Group**” or “**we**”) for the year ended 31 December 2021 (the “**Reporting Period**”). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

Reporting Scope

The Report covers the Group’s finance leasing and loan businesses. These businesses are the core business and major revenue source of the Group. During the Reporting Period, there were no significant changes to the scope of reporting.

Reporting Basis

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

Reporting Principles

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

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

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

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

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

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

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

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

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Continued)
Governance Structure

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



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Continued) Stakeholders' Engagement

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

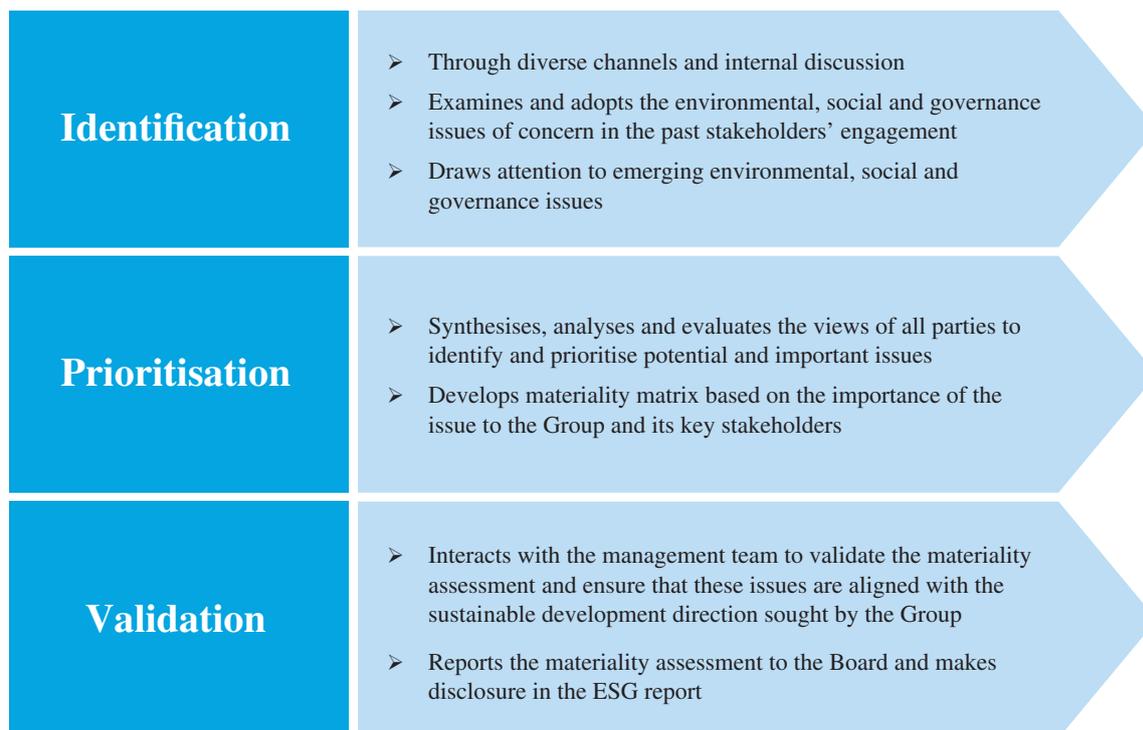
Stakeholders	Expectations and concerns	Communication channels	Management response
Government/regulatory organizations	<ul style="list-style-type: none"> ➤ Compliance in laws and regulations ➤ Fulfill tax obligation ➤ Timely and accurate announcements ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Periodic report/interim announcement ➤ Correspondence 	<ul style="list-style-type: none"> ➤ Uphold integrity and compliance in operations ➤ Pay tax on time, and in return contributing to the society ➤ Establish comprehensive and effective internal control system
Shareholders/investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Business strategies and performance ➤ Information transparency ➤ Corporate governance system 	<ul style="list-style-type: none"> ➤ Information disclosed on the HKEX website ➤ Annual general meeting and other shareholders' meetings 	<ul style="list-style-type: none"> ➤ Ensure satisfactory financial performance, business growth and a strong competitive position within the industry ➤ Set up comprehensive business strategic plan for achieving business goals and objectives ➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Ensure transparent and effective communications by dispatching information on websites of HKEX and the Company ➤ Continue to improve the internal control system and focus on risk management
Employees	<ul style="list-style-type: none"> ➤ Labor rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Employee performance evaluation ➤ Internal meetings and announcements ➤ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➤ Establish fair, reasonable and competitive remuneration scheme ➤ Provide equal opportunities in promotion, training and career development ➤ Pay attention to occupational health and workplace safety ➤ Set up contractual obligations to protect labor rights ➤ Provide epidemic prevention supplies (such as masks and alcohol sanitizers)

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Continued)
Stakeholders’ Engagement (Continued)

Stakeholders	Expectations and concerns	Communication channels	Management response
Customers	<ul style="list-style-type: none"> ➤ High quality services ➤ Corporate reputation ➤ Reasonable price 	<ul style="list-style-type: none"> ➤ Contact via email, communication applications and phone call 	<ul style="list-style-type: none"> ➤ Improve the quality of services continuously in order to maintain customer satisfaction ➤ Provide variety of value-added services ➤ Ensure proper contractual obligations are in place
Community	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Community contribution ➤ Economic development ➤ Corporate reputation ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Information publicity website of government department ➤ Community activities 	<ul style="list-style-type: none"> ➤ Pay attention to climate change ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Maintain good and stable financial performance and business growth ➤ Respond to government’s appeal of implementing various epidemic prevention and control measures

Materiality Assessment

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Materiality Matrix

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

Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination 	<ul style="list-style-type: none"> ◆ Staff training and promotion opportunity ➤ Operational compliance 	<ul style="list-style-type: none"> ➤ Customers’ satisfaction ➤ Service quality ➤ Anti-epidemic ◆ Talent management
	Medium	<ul style="list-style-type: none"> ➤ Community contribution ◆ Preventing child and forced labor ◆ Protecting labor rights 	<ul style="list-style-type: none"> ➤ Greenhouse gas emissions ➤ Use of resources ➤ Water resources utilization 	<ul style="list-style-type: none"> ◆ Staff compensation and welfare ◆ Occupational health and workplace safety ◇ Exhaust air emissions
	Low	<ul style="list-style-type: none"> ➤ Sewage discharge ➤ Generation of hazardous wastes 	<ul style="list-style-type: none"> ➤ Energy conservation ➤ Generation of non-hazardous wastes 	<ul style="list-style-type: none"> ➤ Anti-corruption ➤ Protecting client’s privacy
		Low	Medium	High
		Importance to the Group		

◇ Environmental

◆ Employee

➤ Operation

III. ENVIRONMENTAL PROTECTION

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

1. Management of Emissions

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

Compliance

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

2. Management of Resources Utilization

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

Conservation of Energy

Conservation of Gasoline

Gasoline is mainly used in vehicles for business purpose. Employees have to plan their routes in advance before departure to shorten the driving distance and to reduce the consumption of gasoline. We carry out regular repairs and maintenance on vehicles for better energy use efficiency, and to reduce fuel consumption and waste gas emissions due to part failure. We also encourage employees to use public transport to reduce the use of vehicles. At the beginning of the Reporting Period, the Group sets targets to reduce the gasoline consumption intensity and the related air and greenhouse gas emission intensity by 10% as compared with the previous year. The targets have been achieved this year. Please refer to the section headed “Summary of Environmental Data and Performance” below for the relevant data. During the Reporting Period, the Group consumed a total of 5,470.52 liters of gasoline, representing a great drop of approximately 3,842.54 liters or 41.26% as compared with the previous year.

III. ENVIRONMENTAL PROTECTION (Continued)

2. Management of Resources Utilization (Continued)

Conservation of Energy (Continued)

Conservation of Electricity

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

Conservation of Water

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

Conservation of Paper

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

III. ENVIRONMENTAL PROTECTION (Continued)

3. The Environment and Natural Resources

The Group has always been focusing on protecting the environment and hope that everyone can contribute and work together to build a livable society. In order to let everyone of the Group has better understanding of the impact of our personal and business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (Please refer to “Management of Emissions” and “Management of Resources Utilization” above for details).

The Group will continue to revisit and identify the sources of wastes produced in operations, to evaluate the impacts on the environment for use of resources, so as to establish and implement effective measures including promotion of energy conservation and emission reduction, extensive use of energy-saving products, and the best use of office resources to minimize our carbon footprint. We constantly enhance our employees’ awareness in environmental protection and resource conservation, and to fulfill our social responsibilities and obligations in the process of conducting and developing our business, so as to achieve coordinated development of the Group, the society and the environment together.

4. Climate change

Climate change is making extreme weather events more frequent and severe, often causing catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena. The unprecedented crisis from global spread of COVID-19 has created significant challenges around the world, the risks of climate change is still imminent. Understanding these trends and the relationship with our business can help us to prepare, analyze possible risks and opportunities, help seize the opportunities of potential benefits and establish the response capacity of the Group in the long run.

IV. EMPLOYMENT AND LABOR PRACTICES

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

1. Employment

In order to strictly comply with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Employment Ordinance", the "Minimum Wage Ordinance", the "Mandatory Provident Fund Schemes Ordinance", "Anti-Discrimination Ordinances" in Hong Kong and other applicable laws and regulations, the Group has specified the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

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

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

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

On the basis of equality, the Group hopes to identify talents who are committed and dedicated to work, willing to take responsibility, keep learning, continuously improve their abilities and willing to move forward with the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. EMPLOYMENT AND LABOR PRACTICES (Continued)

1. Employment (Continued)

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

As at 31 December 2021, the number and distribution of the Group's employees are as follows:

	2021	2020
Gender		
Male	14	15
Female	15	16
Employment Type		
Full-time	29	31
Age		
18-30	3	6
31-45	17	16
46-60	9	9
Geographical Region		
Mainland China	24	26
Hong Kong	5	4
Macau	-	1

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

	2021	2020
Gender		
Male	1.10%	3.41%
Female	1.00%	2.79%
Employment Type		
Full-time	1.05%	3.10%
Age		
18-30	3.77%	4.49%
31-45	-	2.93%
46-60	1.60%	2.38%
Geographical Region		
Mainland China	0.66%	3.64%
Hong Kong	1.41%	4.11%
Macau	16.67%	-

IV. EMPLOYMENT AND LABOR PRACTICES (Continued)

1. Employment (Continued)

Compensation, Welfare and Other Benefits

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

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

Working Hours and Rest Periods

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

The Impact of COVID-19

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

2. Health and Safety

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. EMPLOYMENT AND LABOR PRACTICES (Continued)

3. Development and Training

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

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

	2021	2020 ²
Gender		
Male	21.43%	–
Female	46.67%	–
Employee Category		
Senior management	–	–
Middle management	75.00%	–
Management	16.67%	–
Ordinary staff	50.00%	–

During the Reporting Period, the average training hours¹ per the Group's employee are as follows:

	2021	2020 ²
Gender		
Male	10.00	–
Female	30.93	–
Employee Category		
Senior management	–	–
Middle management	43.00	–
Management	20.00	–
Ordinary staff	23.33	–

Notes:

- 1 The average training hours refers to the number of training hours provided by the Group to the employees within the Reporting Period divided by the total number of employees of the Group at the end of the Reporting Period.
- 2 One of the Group's subsidiaries provided one-year external online training for employees, and employees participated in training activities using their own time. Therefore, the Group did not have the training data for employees; while the Group did not provide training activities for employees of other subsidiaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. EMPLOYMENT AND LABOR PRACTICES (Continued)

4. Labor Standards

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

Compliance

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

V. OPERATING PRACTICES

1. Supply Chain Management

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

2. Service Responsibility

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. OPERATING PRACTICES (Continued)

3. Anti-corruption

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

VI. COMMUNITY INVESTMENT

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

VII. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2021	2020
Greenhouse Gas ("GHG") Emissions			
Scope 1 ¹ :			
Total	Tonnes	14.81	25.22
Intensity ³	Tonnes	0.46	0.76
Scope 2 ² :			
Total	Tonnes	–	11.86
Intensity ³	Tonnes	–	0.36
Air Emissions			
Nitrogen Oxides	Kilograms	5.04	8.58
Sulfur Oxides	Kilograms	0.08	0.14
Particulate Matters	Kilograms	0.37	0.63
Natural resources consumptions			
Electricity:			
Total	Megawatt hours	–	14.65
Intensity ³	Megawatt hours	–	0.44
Gasoline:			
Total	Liters	5,470.52	9,313.06
Intensity ³	Liters	170.47	281.50

Notes:

- 1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of gasoline.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 Intensity is measured base on the number of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY THE HKEX

General Disclosure/ KPIs	Reporting Guideline	Page
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	37
KPI A1.1	The types of emissions and respective emissions data.	45
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	45
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A ¹
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A ²
KPI A1.5	Description of measures to mitigate emissions and results achieved.	37–38
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieved them.	N/A ^{1, 2}
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	37–38
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	37, 45
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A ³
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	37–38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieved them.	N/A ³
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A ¹
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	39
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	39

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY THE HKEX (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	39
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	39
B. Social		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	40–42
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	41
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	41
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	42
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	42
KPI B2.2	Lost days due to work injury.	42
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	42
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	43
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	43
KPI B3.2	The average training hours completed per employee by gender and employee category.	43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY THE HKEX (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	44
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	44
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	44
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	44
KPI B5.1	Number of suppliers by geographical region.	44
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	44
KPI B5.3	Description of practices used to identify environmental and social risks.	44
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	44
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	44
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	44
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	44
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	44
KPI B6.4	Description of quality assurance process and recall procedures.	N/A ¹
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY THE HKEX (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	45
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	45
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	45
KPI B7.3	Description of anti-corruption training provided to directors and staff.	45
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	45
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	45
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	45

Notes:

- 1 The Group’s main business is the provision of finance lease and loan services. Therefore, the Group did not generate any hazardous wastes and use any packaging materials, and did not have quality assurance process and recall procedures.
- 2 The Group’s main business is the provision of finance lease and loan services. The non-hazardous wastes are mainly domestic garbage and waste paper. As the Group does not have many employees, the employees generate little domestic garbage and waste paper, so there is no statistics for the amount of non-hazardous wastes generated. There is also no waste reduction target.
- 3 The water charges of offices are included in the rent and the landlord did not provide relevant water consumption data. Therefore, the Group did not disclose the water consumption data during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF AVIC JOY HOLDINGS (HK) LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 54 to 127, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Intangible assets and related deferred tax liabilities

The intangible assets are recognised in respect of land development contracts in relation to the PPP Class 1 land Central New Coastal City and the construction of Ronggang Avenue (collectively referred to as the “**Project**”). While the related deferred tax liabilities are recognised for the taxable temporary differences in respect of intangible assets, at the tax rate of 25%.

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

The Group filed a lawsuit with Intermediate People’s Court of Putian Municipality (the “**Putian Court**”) in May 2018, aiming to request the government to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group in relation to the Project. The Group then filed an appeal to the High People’s Court of Fujian Province (the “**High People’s Court**”) in June 2020 to protect its interests and the High People’s Court accepted the appeal in August 2020. Up to the date of this report, the Group is still expecting the notice of hearing for the appeal, which is at the discretion of the High People’s Court. Besides, the Group has started mediation to resolve the dispute with Fuqing Government during the year.

However, no result from the appeal or the mediation is available up to the date of this report for justifying the sufficiency, adequacy and extent of the impairment loss being recognised. Due to the outcome of the appeal or the mediation is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the intangible assets on the consolidated statement of financial position as at 31 December 2021 and 2020 of approximately HK\$Nil and HK\$Nil, respectively, and to the related impairment of intangible assets on the consolidated statement profit or loss of approximately HK\$Nil and HK\$225,000,000 respectively for the years ended 31 December 2021 and 2020. We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the deferred tax liabilities on the consolidated statement of financial position as at 31 December 2021 and 2020 of approximately HK\$Nil and HK\$Nil, respectively and to the deferred tax credit on the consolidated statement profit or loss of approximately HK\$Nil and HK\$56,250,000 respectively for the years ended 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine the recoverability and accuracy of the intangible assets and related deferred tax liabilities.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION (continued)

2. Contract costs

Contract cost represented capital expenditures incurred related to the Project. Land preparation works were done during the year 2014 to 2018 and the costs mainly included demolition compensation fees, survey fees and related construction costs.

With reference to the clauses in the Investment and Construction Cooperation Agreement signed between the government and the Group in relation to the Project, in the case of the termination or dissolution caused by the breach of contract or the reasons non-attributable to the Group, the government shall pay the Group the amount of compensation for the actual investment, interest and construction costs that the Group has been paid in the Project.

As discussed above in the first qualification, the Group has started the mediation to resolve the dispute and claim the compensation from the government. However, no result from the mediation is available up to the date of this report for justifying the recoverability of the contract costs. Due to the outcome of the mediation is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the contract costs on the consolidated statement of financial position as at 31 December 2021 and 2020 of approximately HK\$324,206,000 and HK\$315,446,000 respectively. There are no other satisfactory audit procedures that we could adopt to determine the recoverability of the contract costs.

3. Promissory note receivables

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

Since the promissory note was secured by the 17.5% of the issued share capital of Spotwin, its recoverable amount mainly depends on continuation of the Project, which the result is uncertain depends on the progress and result of the appeal and mediation with the government as mentioned above in the first qualification. Due to the outcome of the appeal or mediation is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of promissory note receivables of approximately HK\$62,300,000 and HK\$62,300,000 and related interest receivables of approximately HK\$8,697,000 and HK\$6,784,000 as at 31 December 2021 and 2020 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether any expected credit losses on promissory note receivables and related interest receivables for the years ended 31 December 2021 and 2020 should be recognised or reversed.

4. Trade receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivables of approximately HK\$20,175,000 and HK\$19,629,000 respectively as at 31 December 2021 and 2020. The customers have repaid part of outstanding balances during the previous years while the aforesaid remaining balances are past due as at 31 December 2020. In March 2021, the customers signed the repayment schedules with the Group and agreed to repay outstanding balances by 30 June 2021. However, the customers failed to repay according to repayment schedules and there is no settlement from the customers during the year ended 31 December 2021. On the other hand, the Group has appointed a PRC law firm to issue demands for payment to the customers in November 2021 and will initiate further legal actions to request them to repay remaining balances, and no result from legal actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid trade receivables. Thus, we considered that there is uncertainty on assessing the creditworthiness of the customers and recoverability of outstanding trade receivables.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION (continued)

4. Trade receivables (continued)

There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on trade receivables for the years ended 31 December 2021 and 2020 should be recognised or reversed.

Any adjustments to the figures as described from points 1 to 4 above might have a consequential effect on the Group's financial performance and cash flows for each of the two years ended 31 December 2021 and 2020, and on the Group's financial position as at 31 December 2021 and 2020 and the related disclosures thereof in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK\$49.5 million for the year ended 31 December 2021 and, as at 31 December 2021, the Group had net liabilities of approximately HK\$611.3 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have not determined any other key audit matters to be communicated in our report.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the intangible assets, contract costs, promissory note receivables, interest receivable related to promissory note receivables and trade receivables. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

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

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the recoverability of the intangible assets, recoverability of the contract costs, carrying amount of deferred tax liabilities, recoverability of promissory note receivables and related interest receivables, and recoverability of trade receivables, we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 29 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	6	3,189	5,903
Cost of sales		–	–
Gross profit		3,189	5,903
Other income, gains and losses	7	785	8,484
Reversal of expected credit losses (“ECLs”) on financial assets	10	–	7,000
Administrative expenses		(16,772)	(30,787)
Fair value losses on investment properties, net	16	–	(2,340)
Impairment of intangible assets	17	–	(225,000)
Gain on disposal of subsidiaries	36	–	52,612
Share of profits of joint ventures		18,983	8,955
Finance costs	8	(55,629)	(68,275)
LOSS BEFORE TAX		(49,444)	(243,448)
Income tax (expense)/credit	9	(10)	54,737
LOSS FOR THE YEAR	10	(49,454)	(188,711)
Loss for the year attributable to:			
Owners of the Company		(39,859)	(85,562)
Non-controlling interests		(9,595)	(103,149)
		(49,454)	(188,711)
LOSS PER SHARE	13		
Basic and diluted		(HK0.67 cents)	(HK1.44 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
LOSS FOR THE YEAR		(49,454)	(188,711)
OTHER COMPREHENSIVE INCOME/(EXPENSES):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		4,850	7,777
Share of joint ventures' exchange differences on translation of foreign operations		2,401	4,587
Reclassification adjustments for foreign operations disposed of during the year	36	–	(46,276)
Other comprehensive income/(expenses) for the year, net		7,251	(33,912)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		(42,203)	(222,623)
Total comprehensive expenses attributable to:			
Owners of the Company		(32,773)	(120,104)
Non-controlling interests		(9,430)	(102,519)
		(42,203)	(222,623)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	436	557
Right-of-use assets	15	73	920
Investments in joint ventures	18	94,544	73,160
Prepayments and deposits	21	125	333
Finance lease receivables	19	3,795	26,999
		98,973	101,969
CURRENT ASSETS			
Contract costs	24	324,206	315,446
Trade receivables	20	20,175	19,629
Prepayments, deposits and other receivables	21	10,908	10,058
Finance lease receivables	19	24,494	26,223
Promissory note receivables	22	62,300	62,300
Amounts due from joint ventures	18	128,968	128,692
Bank balances and cash	25	28,845	39,665
		599,896	602,013
CURRENT LIABILITIES			
Trade payables	26	8,093	7,874
Other payables and accruals	27	216,635	167,724
Lease liabilities	28	78	886
Interest-bearing bank and other borrowings	29	212,778	213,283
Loans from related companies	23	820,911	810,714
Loans from joint ventures	18	15,858	15,698
Loans from non-controlling shareholders	23	32,343	32,343
Tax payable		2,502	4,106
		1,309,198	1,252,628
NET CURRENT LIABILITIES		(709,302)	(650,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		(610,329)	(548,646)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities	28	–	76
Interest-bearing bank and other borrowings	29	786	20,190
Deferred tax liabilities	30	232	232
		1,018	20,498
NET LIABILITIES			
		(611,347)	(569,144)
CAPITAL AND RESERVES			
Share capital	31	2,234,815	2,234,815
Other reserves		(2,769,571)	(2,736,798)
Equity attributable to owners of the Company		(534,756)	(501,983)
Non-controlling interests		(76,591)	(67,161)
		(611,347)	(569,144)

The consolidated financial statements on pages 54 to 127 were approved and authorised for issue by the Board of Directors on 29 April 2022 and are signed on its behalf by:

Chang Chien
Director

Lam Toi Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital	Share option reserve	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	2,234,815	14,114	(145,022)	58,086	823,357	(47,103)	-	9,426	(3,329,552)	(381,879)	35,358	(346,521)
Loss for the year	-	-	-	-	-	-	-	-	(85,562)	(85,562)	(103,149)	(188,711)
Exchange differences on translation of foreign operations	-	-	-	-	-	11,734	-	-	-	11,734	630	12,364
Reclassification adjustments for foreign operations disposed of during the year	-	-	-	-	-	(46,276)	-	-	-	(46,276)	-	(46,276)
Total comprehensive expenses for the year	-	-	-	-	-	(34,542)	-	-	(85,562)	(120,104)	(102,519)	(222,623)
Lapse of share options	-	(14,114)	-	-	-	-	-	-	14,114	-	-	-
Disposal of subsidiaries (Note 36a)	-	-	-	-	-	-	-	(9,426)	9,426	-	-	-
At 31 December 2020	2,234,815	-	(145,022)	58,086	823,357	(81,645)	-	-	(3,391,574)	(501,983)	(67,161)	(569,144)
Loss for the year	-	-	-	-	-	-	-	-	(39,859)	(39,859)	(9,595)	(49,454)
Exchange differences on translation of foreign operations	-	-	-	-	-	7,086	-	-	-	7,086	165	7,251
Total comprehensive income/(expenses) for the year	-	-	-	-	-	7,086	-	-	(39,859)	(32,773)	(9,430)	(42,203)
At 31 December 2021	2,234,815	-	(145,022)	58,086	823,357	(74,559)	-	-	(3,431,433)	(534,756)	(76,591)	(611,347)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES			
Loss before tax		(49,444)	(243,448)
Adjustments for:			
Finance costs		55,629	68,275
Interest income		(2,194)	(2,686)
Share of profits of joint ventures		(18,983)	(8,955)
Depreciation of property, plant and equipment		139	280
Depreciation of right-of-use assets		860	1,491
Reversal of ECLs on financial assets		–	(7,000)
Written off of other receivables		1,388	–
Impairment loss on intangible assets		–	225,000
Loss on fair value changes of investment properties, net		–	2,340
Loss on disposal of property, plant and equipment		–	195
Waiver of other payables upon deregistration of a subsidiary	7	–	(15,677)
Gain on disposal of subsidiaries	36	–	(52,612)
Operating cash flows before movements in working capital		(12,605)	(32,797)
Increase in contract costs		–	(1,135)
Decrease in trade receivables		–	2,980
Decrease in prepayments, deposits and other receivables		86	3,912
Decrease in finance lease receivables		26,410	98,688
Decrease in amounts due from joint ventures		2,673	10,500
Decrease in trade payables		–	(1,151)
(Decrease)/increase in other payables and accruals		(3,315)	37,622
Cash generated from operations		13,249	118,619
Income taxes paid		(1,728)	(18)
Net cash generated from operating activities		11,521	118,601

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(4)	(356)
Net cash inflow from disposal of subsidiaries	36	–	368,959
Direct costs to disposal of subsidiaries		–	(2,359)
Interest received		280	772
Proceeds from disposal of investment properties		–	17,049
Proceeds from disposal of property, plant and equipment		–	87
Net cash generated from investing activities		276	384,152
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		(25,668)	(184,147)
Interest paid on bank and other borrowings		(4,294)	(21,899)
Interest paid on lease liabilities		(27)	(69)
Repayment of lease liabilities		(897)	(1,495)
Advance of loans from related companies		6,620	–
Advance of loans from joint ventures		–	1,499
Repayment of loans from joint ventures		(276)	–
Repayment of loans from related companies		–	(297,458)
Net cash used in financing activities		(24,542)	(503,569)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		39,665	34,060
Effect of foreign exchange rate changes		1,925	6,421
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
Representing by:			
Bank balances and cash		28,845	39,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

AVIC Joy Holdings (HK) Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Room 1501, 15/F, Car Po Commercial Building, 18-20 Lyndhurst Terrace, Central, Hong Kong. With effect from 23 April 2021, the registered office of the Company was changed to Room 2507, 25/F., Tower 1, Lippo Centre, 89 Queensway, Hong Kong. With effect from 22 April 2022, the registered office of the Company was changed to Unit 1905A, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$49.5 million for the year ended 31 December 2021 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$611.3 million as at 31 December 2021. The Group’s total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,082.7 million, out of which approximately HK\$1,081.9 million are due for repayment in the next twelve months from the date of approval of these consolidated financial statements.

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

- (i) A substantial shareholder of the Company, Sincere View International Limited (“**Sincere View**”) undertakes that, subject to the continuous trading of shares of the Company on the Stock Exchange, in order to encourage the Group to put its capital into good use and support business development of the Group, Sincere View will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.
- (ii) As set out in note 23 to the consolidated financial statements, according to the letter from Sincere View to the Board of the Company dated 6 April 2022, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the loans from related companies of approximately HK\$815.0 million nor any interest to be incurred of approximately HK\$168.4 million during the period from 1 January 2022 to 31 December 2023.
- (iii) The Group is negotiating with the counterparties to renew the existing loans from them as set out in notes 23 and 29 to the consolidated financial statements.
- (iv) The Group is actively identifying alternative sources of funding.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Investments in joint ventures

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Revenue from contracts with customers

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs to fulfil a contract

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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

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

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modifications

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

Ownership interests in leasehold land and building

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Government grants

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

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

Other employee benefits

Pension schemes and other retirement benefits

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

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

Short-term employee benefits

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

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

Share-based payments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

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

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

Income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation.

Such properties are measured initially at cost, including any directly attributable expenditure.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Intangible assets (other than goodwill)

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

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

Land development contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

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

Going concern basis

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

Key sources of estimation uncertainty

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

Estimated impairment of intangible assets

The Group determines whether intangible assets not available for use is impaired at least on an annual basis, and whenever there is an indication that it may be impaired. If any impairment, the Group estimates the recoverable amounts of the intangible assets. The Group measures the recoverable amounts of the intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from intangible assets based on the development plan forecasted by the management, economic outlook, expected selling price, development costs and a suitable discount rate in order to calculate the present value. As at 31 December 2021, the carrying amount of intangible assets was HK\$Nil (2020: approximately HK\$Nil) (net of accumulated impairment loss of HK\$964,000,000 (2020: HK\$964,000,000)).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (continued)

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

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

Impairment of contract costs

The Group determines whether the outcome of the contract costs can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic benefits flows to the Group. The carrying amount of contract costs as at 31 December 2021 was approximately HK\$324,206,000 (2020: approximately HK\$315,446,000).

Provision of ECL for trade receivables

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

6. REVENUE AND SEGMENT INFORMATION

Leases

	2021 HK\$'000	2020 HK\$'000
Finance lease income – machinery and equipment	3,189	5,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

- (a) Management and operation of LED EMC;
- (b) Provision of finance lease and loan services and property investment; and
- (c) Provision of land development services and sale of construction materials.

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

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

- all assets are allocated to operating segments other than certain plant and equipment, right-of-use assets, other receivables and bank balances; and
- all liabilities are allocated to operating segments other than certain loans from related companies, other payables, tax payables, deferred tax liabilities, lease liabilities and interest-bearing bank and other borrowings.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments based on the locations of the customers, and assets information is based on the locations of the assets. As the Group's major operations and markets are located in the PRC, no further geographical information is provided.

The following table presents revenue and profit/(loss) for the Group's primary segment for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2021

	Management and operation of LED EMC HK\$'000	Provision of finance lease and loan services and property investment HK\$'000	Provision of land development services HK\$'000	Total HK\$'000
Segment revenue:				
Leases	–	3,189	–	3,189
Segment results	18,912	(3,320)	(18,614)	(3,022)
<i>Reconciliation:</i>				
Finance costs – unallocated				(38,420)
Corporate and other unallocated expenses				(8,002)
Loss before tax				(49,444)
Income tax expense				(10)
Loss for the year				(49,454)
Other segment information:				
Interest income	–	279	1	280
Depreciation	–	(75)	(49)	(124)
Depreciation – unallocated				(875)
Share of profits of joint ventures	18,983	–	–	18,983
Written off of other receivables	–	(1,388)	–	(1,388)
Finance costs	–	(1,418)	(15,791)	(17,209)
Capital expenditure*	–	(4)	–	(4)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2021 (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2020

	Management and operation of LED EMC HK\$'000	Provision of finance lease and loan services and property investment HK\$'000	Provision of land development services HK\$'000	Total HK\$'000
Segment revenue:				
Leases	–	5,903	–	5,903
Segment results				
	12,918	28,436	(241,463)	(200,109)
<i>Reconciliation:</i>				
Finance costs – unallocated				(41,733)
Unallocated other gain				7,182
Corporate and other unallocated expenses				(8,788)
Loss before tax				(243,448)
Income tax credit				54,737
Loss for the year				(188,711)
Other segment information:				
Interest income	–	771	1	772
Depreciation	–	(72)	(145)	(217)
Depreciation – unallocated				(1,554)
Share of profits of joint ventures	8,955	–	–	8,955
Loss on disposal of property, plant and equipment	–	(195)	–	(195)
Reversal of ECLs on financial assets	4,000	3,000	–	7,000
Gain on disposal of subsidiaries	–	53,764	–	53,764
Loss on disposal of subsidiaries – unallocated				(1,152)
Impairment of intangible assets	–	–	(225,000)	(225,000)
Finance costs	–	(16,238)	(10,304)	(26,542)
Fair value losses on investment properties, net	–	(2,340)	–	(2,340)
Capital expenditure*	–	(356)	–	(356)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Year ended 31 December 2020 (continued)

	Management and operation of LED EMC HK\$'000	Provision of finance lease and loan services and property investment HK\$'000	Provision of land development services HK\$'000	Total HK\$'000
Segment assets	99,542	254,797	397,185	751,524
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(88,870)
Corporate and other unallocated assets				41,328
Total assets				703,982
Segment liabilities	208,539	699,697	526,774	1,435,010
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,353,737)
Corporate and other unallocated liabilities				1,191,853
Total liabilities				1,273,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OTHER INCOME, GAINS AND LOSSES

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

	2021 HK\$'000	2020 HK\$'000
Other income		
Interest income	280	772
Promissory note interest income	1,914	1,914
Sub-total	2,194	2,686
Other gains and losses, net		
Exchange losses, net	(1,058)	(10,809)
Loss on disposal of property, plant and equipment	–	(195)
Waiver of other payables upon deregistration of a subsidiary	–	15,677
Written off of other receivables	(1,388)	–
Others	1,037	1,125
Sub-total	(1,409)	5,798
Total	785	8,484

8. FINANCE COSTS

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

	2021 HK\$'000	2020 HK\$'000
Interests on bank and other borrowings	18,511	29,867
Interests on loans from related companies	37,091	38,339
Interests on lease liabilities	27	69
	55,629	68,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSE/(CREDIT)

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

	2021 HK\$'000	2020 HK\$'000
PRC Enterprise Income Tax ("EIT"):		
– Current tax	–	1,529
– Under/(Over)-provision in prior year	10	(16)
Deferred tax credit (Note 30)	–	(56,250)
	10	(54,737)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSE/(CREDIT) (continued)

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

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

	Hong Kong HK\$'000	2020 Mainland China HK\$'000	Total HK\$'000
Loss before tax	(58,977)	(184,471)	(243,448)
Tax at the statutory tax rates	(9,731)	(46,118)	(55,849)
Tax effect of share of profits and losses attributable to joint ventures	–	(2,239)	(2,239)
Tax effect of income not subject to tax	(14)	(19,141)	(19,155)
Over-provision in prior year	–	(16)	(16)
Tax effect of expenses not deductible for tax	9,745	3,263	13,008
Tax effect of tax losses not recognised	–	9,514	9,514
Income tax credit for the year	–	(54,737)	(54,737)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. LOSS FOR THE YEAR

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration		
– Annual audit	1,150	1,100
– Others	200	1,086
	1,350	2,186
Depreciation on property, plant and equipment	139	280
Depreciation of right-of-use assets	860	1,491
Written off of other receivables	1,388	–
Reversal of ECLs on financial assets	–	(7,000)
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 11)):		
– Wages, salaries, allowances and benefits in kind	8,085	7,759
– Retirement scheme contributions	536	272
	8,621	8,031

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2020	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement schemes contributions HK\$'000	Total remuneration HK\$'000
Executive directors:					
Wu Xiaodong	(a)	–	371	–	371
Guan Liqun	(b)	–	–	–	–
Zhang Zhibiao	(d)	–	26	–	26
Wang Ying	(d)	–	26	–	26
Mu Yan	(d)	–	26	–	26
Chan Hon Wai	(e)	–	429	6	435
Chang Chien	(c)	–	11	1	12
Lam Toi Man	(c)	–	11	1	12
Tse Tin	(f)	–	11	1	12
Independent non-executive directors:					
Jiang Ping	(d)	43	–	–	43
Wu Rui	(d)	43	–	–	43
Guo Wei	(d)	43	–	–	43
To Chun Kei	(c)	17	–	–	17
Liu Jingwei	(f)	17	–	–	17
Zheng Yanqing	(f)	17	–	–	17
		180	911	9	1,100

Notes:

- a) Appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020
- b) Resigned with effect from 9 January 2020
- c) Appointed with effect from 18 September 2020
- d) Resigned with effect from 18 September 2020
- e) Appointed with effect from 18 September 2020 and resigned with effect from 30 January 2022
- f) Appointed with effect from 18 September 2020 and resigned with effect from 31 January 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director during the year (2020: Nil), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year for the remaining four (2020: five) highest paid employees who are not directors of the Company are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, bonuses, allowances and benefits in kind	1,891	2,911
Pension scheme contributions	135	50
	2,026	2,961

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

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	4	5

13. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK\$39,859,000 (2020: approximately HK\$85,562,000), and the weighted average number of ordinary shares of 5,943,745,741 (2020: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2021 as there are no dilutive potential ordinary shares and for the year ended 31 December 2020 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 January 2020	151	1,330	6,894	8,375
Exchange adjustment	–	396	127	523
Additions	–	–	356	356
Disposals	–	–	(1,880)	(1,880)
Disposal of subsidiaries (Note 36)	–	–	(4,093)	(4,093)
At 31 December 2020	151	1,726	1,404	3,281
Exchange adjustment	–	8	40	48
Additions	–	4	–	4
At 31 December 2021	151	1,738	1,444	3,333
DEPRECIATION AND IMPAIRMENT				
At 1 January 2020	(134)	(1,158)	(4,088)	(5,380)
Depreciation provided for the year	(17)	(93)	(170)	(280)
Exchange adjustment	–	(414)	(98)	(512)
Disposals	–	–	1,598	1,598
Elimination on disposal of subsidiaries (Note 36)	–	–	1,850	1,850
At 31 December 2020	(151)	(1,665)	(908)	(2,724)
Depreciation provided for the year	–	(25)	(114)	(139)
Exchange adjustment	–	(7)	(27)	(34)
At 31 December 2021	(151)	(1,697)	(1,049)	(2,897)
CARRYING VALUES				
At 31 December 2021	–	41	395	436
At 31 December 2020	–	61	496	557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
At 1 January 2020	2,448
Depreciation charge (Note 10)	(1,491)
Exchange alignment	(37)
At 31 December 2020 and 1 January 2021	920
Depreciation charge (Note 10)	(860)
Exchange alignment	13
At 31 December 2021	73
	2020 HK\$'000
	2021 HK\$'000
Expenses related to short-term leases	622
Lease commitments of short-term leases	786
Total cash outflow for leases	2,186
	1,569

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

Details of the lease maturity analysis of lease liabilities are set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. INVESTMENT PROPERTIES

	HK\$'000
Carrying amount at 1 January 2020	19,712
Net decrease in fair value recognised in profit or loss	(2,340)
Disposals	(17,049)
Exchange adjustments	(323)
Carrying amount at 31 December 2020	–

During the year ended 31 December 2020, the Group's investment properties were disposed at a consideration of approximately HK\$17,049,000 and recognised net decrease in fair value of approximately HK\$2,340,000 accordingly.

17. INTANGIBLE ASSETS

	Land development contracts HK\$'000
COST	
At 1 January 2020, 31 December 2020 and 31 December 2021	964,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2020	739,000
Impairment loss recognised in the year	225,000
At 31 December 2020 and 31 December 2021	964,000
CARRYING VALUES	
At 31 December 2021	–
At 31 December 2020	–

As at 31 December 2021, there is an amount of HK\$Nil (2020: HK\$Nil) intangible assets in respect of land development contracts in relation to the land development of Central New Coastal City* (中部濱海新城) (the “**Project Land**”) and construction work of Ronggang Avenue* (融港大道) (collectively referred to as the “**Project**”). AVIC International (Fujian) Industrial Co., Ltd.* (中航國際 (福建) 實業有限公司) (“**AVIC Fujian**”), a subsidiary of the Group, together with two parties formed a joint committee to manage the Project.

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

* English translation for reference only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INTANGIBLE ASSETS (continued)

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

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

On 10 June 2020, the Putian Court has issued a judgement to dismiss the petition by AVIC Fujian and ordered AVIC Fujian to bear specified amounts of litigation costs. In order to protect the interests of the Group and after having sought legal advice, the directors of the Company has decided to appeal and filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the “**High People's Court**”) on 24 June 2020 to request the High People's Court to set aside the judgment and rule the case to be returned to the Putian Court for re-trial. However, the ultimate outcome of the appeal cannot be assessed at this stage. Accordingly, additional impairment amounted to HK\$225,000,000 was provided for the year ended 31 December 2020. As at 31 December 2021, full impairment on the intangible assets of the Project amounted to HK\$964,000,000 (31 December 2020: HK\$964,000,000) was recognised.

18. INVESTMENTS IN JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Cost of investment in joint ventures	22,500	22,500
Share of post-acquisition profits and other comprehensive income	72,044	50,660
	94,544	73,160

Except for the amount of HK\$15,092,000 (2020: HK\$15,972,000) are finance lease receivables from joint ventures, the remaining balances of amounts due from joint ventures of HK\$113,876,000 (2020: HK\$112,720,000) and loans from joint ventures of HK\$15,858,000 (2020: HK\$15,698,000) included in current assets and current liabilities, respectively, are non-trade nature, unsecured, interest-free and have no fixed terms of repayment.

* English translation for reference only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Finance lease receivables comprise:				
Within one year	17,881	19,010	15,092	15,972
	17,881	19,010	15,092	15,972
Less: unearned finance income	(2,789)	(3,038)		
Present value of minimum lease payments	15,092	15,972		
Analysed for reporting purposes as:				
Current assets	15,092	15,972		

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

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

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

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

Name	Country of incorporation/ registration and principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
		2021	2020	2021	2020	
Jia Lian International Limited (“Jia Lian”)	British Virgin Islands	45%	45%	45%	45%	Investment holding

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2021 HK\$'000	2020 HK\$'000
Bank balances and cash	92,795	162,923
Other current assets	410,667	427,150
Current assets	503,462	590,073
Property, plant and equipment	39,190	26,562
Finance lease receivables	302,263	278,081
Other non-current assets	477,612	177,888
Non-current assets	819,065	482,531
Financial liabilities, excluding trade and other payables	(28,746)	(33,614)
Other current liabilities	(311,630)	(254,159)
Current liabilities	(340,376)	(287,773)
Non-current liabilities	(790,880)	(641,080)
Net assets	191,271	143,751
Reconciliation to the Group's interest in the joint ventures:		
Proportion of the Group's ownership	45%	45%
Proportion of net assets of the Group's ownership	86,072	64,688
Goodwill	8,472	8,472
Carrying amount of the investment at 31 December	94,544	73,160
Revenue	114,973	70,011
Profit for the year	42,184	19,900
Total comprehensive income for the year	47,520	30,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. FINANCE LEASE RECEIVABLES

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

The majority of lease contracts are with guaranteed residual values. As at 31 December 2021 and 2020, unguaranteed residual values of assets leased under finance leases are immaterial.

For the year ended 31 December 2021, the finance lease receivables decreased due to repayments of finance lease receivables.

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Finance lease receivables comprise:				
Within one year	27,049	30,279	24,494	26,223
In the second year	2,851	25,042	2,184	22,804
In the third year	1,939	2,774	1,611	2,078
In the fourth year	–	2,580	–	2,117
	31,839	60,675	28,289	53,222
Less: unearned finance income	(3,550)	(7,453)		
Present value of minimum lease payments	28,289	53,222		
Analysed for reporting purposes as:				
Current assets	24,494	26,223		
Non-current assets	3,795	26,999		
	28,289	53,222		

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

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

As at 31 December 2021, the Group's finance lease receivables with an aggregate carrying amount of HK\$28,289,000 (2020: HK\$53,222,000) were pledged as security for the Group's certain bank loans, as further detailed in note 29 to the consolidated financial statements.

Effective interest rates of the above finance leases range from 6% to 9% (2020: 6% to 9.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables – contracts with customers	58,335	56,759
Less: Allowance for ECLs	(38,160)	(37,130)
	20,175	19,629

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

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

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

	2021 HK\$'000	2020 HK\$'000
Over 1 year	58,335	56,759

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$20,175,000 (2020: HK\$19,629,000) which are past due as at the reporting date. Out of the past due balances, HK\$20,175,000 (2020: HK\$19,629,000) has been past due 90 days or more and is not considered as in default since the management considered the past due balances can be repaid based on repayment history.

Reconciliation of allowance for ECLs of trade receivables:

	2021 HK\$'000	2020 HK\$'000
At 1 January	37,130	34,889
Exchange differences	1,030	2,241
At 31 December	38,160	37,130

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. TRADE RECEIVABLES (continued)

	Over 1 year past due HK\$'000
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At 31 December 2021	
Weighted average expected credit rate	65%
Trade receivable amount	58,335
Allowance for ECLs	(38,160)
At 31 December 2020	
Weighted average expected credit rate	65%
Trade receivable amount	56,759
Allowance for ECLs	(37,130)

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
<hr/>		
Prepayments	590	555
Promissory note interest receivables	8,697	6,784
Deposits and other receivables	1,746	3,052
	11,033	10,391
Non-current portion	(125)	(333)
	10,908	10,058

22. PROMISSORY NOTE RECEIVABLES

The promissory note in principal amount of HK\$89,000,000 was issued during the year ended 31 December 2017 with an original maturity date of 15 June 2018. During the year ended 31 December 2018, the settlement date of the promissory note has extended and the maturity date is 15 June 2019. During the years ended 31 December 2020 and 2021, the Group is under negotiation with the promissory note holders to extend maturity date and an impairment loss of HK\$26,700,000 was recognised.

	2021 HK\$'000	2020 HK\$'000
<hr/>		
Interest rate		
2.15% per annum	62,300	62,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Breakdown of balances with related companies is as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
Loans from related companies			
Sincere View	(i)	814,972	810,374
Citychamp Watch & Jewellery Group Limited	(ii)	939	340
Citichamp (Holdings) Limited	(ii)	5,000	–
Current portion		820,911	810,714

Notes:

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

The loans from Sincere View are unsecured, of which approximately HK\$657,347,000 is repayable in 2022 and bears interest at 5.6175% per annum, HK\$1,000,000 is repayable in 2022 and bears interest at 5% per annum, while the remaining balances are non-interest bearing and no fixed repayment period.

According to the letter from Sincere View to the Board of the Company dated 6 April 2022, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the part of the aforesaid loans of principal amount of approximately HK\$814,972,000 (31 December 2020: approximately HK\$810,374,000) nor any interest to be incurred during the period from 1 January 2022 to 31 December 2023.

- (ii) Citychamp Watch & Jewellery Group Limited (“Citychamp”) and Citichamp (Holdings) Limited (“Citichamp”) are related companies whose controlling shareholder is also controlling shareholder of the Company’s substantial shareholder.

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

The loans from Citichamp are unsecured, repayable in 2022 and bears interest at 5% per annum.

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

	2021 HK\$'000	2020 HK\$'000
Loans from non-controlling shareholders		
Kingfun Investment Limited	16,887	16,887
Yada Investment Limited	15,456	15,456
Current portion		32,343

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

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For the year ended 31 December 2021

24. CONTRACT COSTS

	2021 HK\$'000	2020 HK\$'000
Pre-contract/setup costs to fulfill contracts in relation to land development services incurred to date	324,206	315,446

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

25. BANK BALANCES AND CASH

	2021 HK\$'000	2020 HK\$'000
Bank balances and cash	28,845	39,665

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounting to HK\$27,094,000 (2020: HK\$37,840,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
Over 1 year	8,093	7,874

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

27. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Other payables and accruals	13,599	16,662
Loan interest payables to related companies	168,407	131,316
Loan interest payables on other borrowings	9,522	8,219
Loan interest payables on bank borrowings	25,107	11,527
	216,635	167,724

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	79	913	78	886
In the second year	–	77	–	76
	79	990	78	962
Less: future finance charges	(1)	(28)		
Present value of lease liabilities	78	962		
Less: Amount due for settlement within 12 months (shown under current liabilities)	(78)	(886)		
Amount due for settlement after 12 months	–	76		

At 31 December 2021, the average effective borrowing rate was 4.5% (2020: 4.5%). Interest rates are fixed at the contract rates and thus expose the Group to fair value interest rate risk.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021				2020			
	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK\$'000	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK\$'000
Current								
Bank borrowings – unsecured (c)	N/A	5.7–6.65	On demand	167,805	N/A	5.7–6.65	2021	165,674
Bank borrowings – secured (a)	4.99–5.7	N/A	2022	19,926	4.99–5.7	N/A	2021	22,562
Other borrowing – unsecured (b)	N/A	5.2	On demand	25,047	N/A	5.2	On demand	25,047
				212,778				213,283
Non-current								
Bank borrowings – secured (a)	5.7	N/A	2023	786	4.99–5.7	N/A	2022–2023	20,190
				213,564				233,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank borrowings repayable:		
On demand and within one year	187,731	188,236
In the second year	786	19,425
In the third to fifth year, inclusive	–	765
	188,517	208,426
Other borrowings repayable:		
Within one year – with repayable on demand clause	25,047	25,047
	25,047	25,047
	213,564	233,473
Less: Amounts shown under current liabilities	(212,778)	(213,283)
Amounts shown under non-current liabilities	786	20,190

Notes:

- (a) Certain of the bank borrowings are secured by the Group's finance lease receivables with an aggregate carrying amount of HK\$28,289,000 (2020: HK\$53,222,000) (note 19).
- (b) On 17 November 2016, the Company issued convertible bonds with principal amounts of HK\$140,000,000. Any convertible bond not converted will be redeemed at par in two years, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. On 17 November 2018, the convertible bonds remained unexercised upon maturity. The convertible bonds held by 2 bondholders with total principal amount of HK\$56,000,000 have been repaid on 17 November 2019. While the remaining convertible bonds with principal amount of HK\$84,000,000 is considered as past due and repayable on demand, and these were transferred to other borrowings in 2018. In April 2020, the Company received repayment demand letters from the legal advisers of the bondholders of these convertible bonds requesting the Company to repay the outstanding amounts. During the year ended 31 December 2020, the Company repaid partial principal amounts of approximately HK\$58,953,000 to bondholders. The Company continues making its best endeavors to negotiate the repayment schedule with these bondholders.
- (c) In respect of bank borrowings with carrying amounts of approximately HK\$167,805,000 as at 31 December 2021, the Group defaulted in the repayments of bank borrowings according to repayment schedules as per loans agreements. The Group commenced the renegotiations of the terms of bank borrowings with the relevant bankers. As at 31 December 2021 and up to the date of approval for issuance of the consolidated financial statements, those negotiations are still in progress and had not been concluded. Since the lenders have initiated legal proceedings at PRC courts to demand immediate payment as at the end of the reporting period, the bank balances of approximately HK\$18,000 had been frozen by relevant bankers for repayments of bank borrowings and those bank borrowings have been classified as current liabilities as at 31 December 2021. Although the final outcome of the legal proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.
- (d) All bank borrowings are denominated in RMB and other borrowings are denominated in RMB and HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

	Temporary difference in respect of intangible assets HK\$'000	Withholding taxes HK\$'000	Total HK\$'000
At 1 January 2020	56,250	232	56,482
Deferred tax credited to profit or loss during the year (Note 9)	(56,250)	–	(56,250)
At 31 December 2020 and 31 December 2021	–	232	232

At 31 December 2021, the Group had estimated tax losses arising in Hong Kong of approximately HK\$146,235,000 (2020: HK\$146,235,000) and in the PRC of approximately HK\$599,944,000 (2020: HK\$577,177,000), which are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, due to unpredictability on future profits streams.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

For the year ended 31 December 2021 and 2020, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would not pay out all their earnings as dividends. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$3,668,000 (2020: HK\$10,398,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. SHARE CAPITAL

	2021 HK\$'000	2020 HK\$'000
Issued and fully paid: 5,943,745,741 ordinary shares	2,234,815	2,234,815

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

	Number of share in issue	Share capital HK\$'000	Total HK\$'000
At 1 January 2020, 31 December 2020 and 31 December 2021	5,943,745,741	2,234,815	2,234,815

Details of the Company's share option scheme and the share options issued under the Company's expired share option scheme are included in note 32 to the consolidated financial statements.

32. SHARE OPTION SCHEME

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. SHARE OPTION SCHEME (continued)

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

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

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

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

	2021		2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	N/A	–	0.23	206,250
Lapse during the year	N/A	–	0.23	(206,250)
At 31 December	N/A	–	–	–

2020 and 2021

No outstanding share option as at 31 December 2020 and 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. RESERVES

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

The Group's reserve funds represent the Group's share of the statutory surplus reserve funds of certain subsidiaries operating as co-operative joint ventures/foreign investment enterprises in Mainland China. Pursuant to these subsidiaries' articles of association and the PRC Company Law, each of these subsidiaries shall make an allocation from its profit after tax at the rate of 10% to the statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Part of the statutory surplus reserve may be capitalised as the subsidiaries' registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the subsidiaries. The statutory reserve is non-distributable other than in the event of liquidation.

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

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

34. CAPITAL COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment		
Contracted but not provided for:	2,963	2,883
Share of capital commitments of joint ventures	375,173	10,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS

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

	Note	2021 HK\$'000	2020 HK\$'000
Interest expenses to related companies	(i)	37,091	38,339
Office rental and other related expenses to a related company		610	–

Note:

- (i) The interest expenses paid to related companies whose are the Company's substantial shareholder or companies whose controlling shareholder is also controlling shareholder of the Company's substantial shareholder were charged at an interest rate ranging from 5% to 5.6175% (2020: 5% to 5.6175%) per annum.
- (b) Other transactions and outstanding balances with related parties:

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

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

	2021 HK\$'000	2020 HK\$'000
Short term employee benefits and total compensation paid to key management personnel	1,824	1,100

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. DISPOSAL OF SUBSIDIARIES

- (a) On 4 February 2020, the Group has entered into an equity transaction agreement with an independent third party, for the disposal of its entire equity interest in Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司) and its subsidiaries (collectively referred to as “Shanghai Shangju”). The disposal has been completed on 30 March 2020. The net assets at the date of disposal were as follows:

	Total HK\$'000
<hr/>	
Net assets disposed of:	
Property, plant and equipment	1,629
Investment properties	1,480,823
Prepayments, deposits and other receivables	1,098
Bank balances and cash	298
Other payables and accruals	(31,435)
Bank and other borrowings	(1,094,197)
	<hr/>
	358,216
	<hr/>
Gain on disposal of subsidiaries:	
Consideration received	367,897
Net assets disposed of	(358,216)
Direct costs to the disposal	(2,193)
Release of exchange fluctuation reserve	46,276
	<hr/>
	53,764
	<hr/>
Satisfied by:	
Cash	367,897
	<hr/>

An analysis of the cash flows in respect of the disposal of Shanghai Shangju is as follows:

	HK\$'000
<hr/>	
Cash consideration	367,897
Bank balances and cash disposed of	(298)
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	367,599
	<hr/>

* English translation for reference only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. DISPOSAL OF SUBSIDIARIES (continued)

- (b) On 24 April 2020, the Group has entered into a share transfer agreement with an independent third party, for the disposal of its entire equity interest in Wai Cheong Watch Dial Works Limited (“Wai Cheong”) at a consideration of HK\$1,360,000. The disposal has been completed on 22 May 2020. The net assets at the date of disposal were as follows:

	Note	Total HK\$'000
Net assets disposed of:		
Property, plant and equipment	14	2,243
Prepayments, deposits and other receivables		148
Other payables and accruals		(45)
		2,346
Loss on disposal of subsidiaries:		
Consideration received		1,360
Net assets disposed of		(2,346)
Direct costs to the disposal		(166)
		(1,152)
Satisfied by:		
Cash		1,360

An analysis of the cash flows in respect of the disposal of Wai Cheong is as follows:

	HK\$'000
Cash consideration	1,360
Bank balances and cash disposed of	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,360

37. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Amortised cost	249,855	259,084
Financial liabilities		
Amortised costs	1,307,273	1,267,429

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade payables, other payables and accruals, promissory note receivables, amounts due from joint ventures and amounts due to joint ventures, which arise directly from its operations.

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

Market risk

Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

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

The Group has significant concentrations of credit risk.

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

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2021 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and finance lease receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

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

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

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

	Other receivables HK\$'000	Finance lease receivables HK\$'000	Promissory note receivables HK\$'000	Amounts due from joint ventures HK\$'000	Total HK\$'000
Balance at 31 December 2021	9,567	28,289	89,000	128,968	255,824
Loss allowances	-	-	(26,700)	-	(26,700)
Carrying amounts	9,567	28,289	62,300	128,968	229,124
Balance at 31 December 2020	8,798	53,222	89,000	128,692	279,712
Loss allowances	-	-	(26,700)	-	(26,700)
Carrying amounts	8,798	53,222	62,300	128,692	253,012

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

ECL rate

2021	-	-	30%	-	10%
2020	-	-	30%	-	10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

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

	Other receivables HK\$'000	Finance lease receivables HK\$'000	Promissory note receivables HK\$'000	Amounts due from joint ventures HK\$'000	Total HK\$'000
Loss allowance at 1 January 2020	–	3,000	26,700	4,000	33,700
Decrease in provision in 2020	–	(3,000)	–	(4,000)	(7,000)
Loss allowance at 31 December 2020 and 31 December 2021	–	–	26,700	–	26,700

Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total HK\$'000
2020					
Trade payables	N/A	7,874	–	7,874	7,874
Other payables	N/A	167,327	–	167,327	167,327
Loans from joint ventures	N/A	15,698	–	15,698	15,698
Loans from non-controlling shareholders	N/A	32,343	–	32,343	32,343
Loans from related companies	4.56	837,067	–	837,067	810,714
Interest-bearing bank and other borrowings	5.98	217,769	20,738	238,507	233,473
		1,278,078	20,738	1,298,816	1,267,429

Interest rate risk

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

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

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

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

At 31 December 2021, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK\$78,000 (2020: HK\$160,000) lower, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK\$78,000 (2020: HK\$160,000) higher, arising mainly as a result of higher interest expense on bank borrowings.

(c) Fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Interest bearing bank and other borrowings	Disposal group held for sale – Interest bearing bank and other borrowings	Loans from non-controlling shareholders	Loans from joint ventures/ related companies	Disposal group held for sale – Loans from related companies	Loan interest payable to related companies and bank and other borrowings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	2,396	398,495	1,131,704	32,189	1,035,948	75,040	103,950	2,779,722
Financing cash flows	(1,564)	(146,640)	(37,507)	-	(220,919)	(75,040)	(21,899)	(503,569)
Disposals of subsidiaries	-	-	(1,094,197)	-	-	-	-	(1,094,197)
Foreign exchange movement	61	(19,083)	-	154	11,383	-	1,506	(5,979)
Interest expense	69	701	-	-	-	-	67,505	68,275
At 31 December 2020 and 1 January 2021	962	233,473	-	32,343	826,412	-	151,062	1,244,252
Financing cash flows	(924)	(25,668)	-	-	6,344	-	(4,294)	(24,542)
Foreign exchange movement	13	5,759	-	-	4,013	-	666	10,451
Interest expense	27	-	-	-	-	-	55,602	55,629
At 31 December 2021	78	213,564	-	32,343	836,769	-	203,036	1,285,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest to the Company				Principal activities
			Directly		Indirectly		
			2021 %	2020 %	2021 %	2020 %	
Excellent Top Group Limited	British Virgin Islands	US\$1	100	100	-	-	Investment holding
Guangdong Zi Yu Tai Finance Leasing Company Limited*	PRC/Mainland China	US\$100,000,000	-	-	100	100	Provision of finance lease and loan services
Ontex Enterprises Limited	British Virgin Islands/ Hong Kong	US\$100	-	-	60	60	Provision of land development and sale of construction materials
Dingbo Investment Limited	British Virgin Islands	US\$100	-	-	60	60	Investment holding
Spotwin Investment Limited	British Virgin Islands/ Hong Kong	US\$100	-	-	49.5 (Note)	49.5 (Note)	Provision of land development and sale of construction materials

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

Note:

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

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

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

During the year ended 31 December 2020, the Group entered into share transfer agreements with third party purchasers, to sell 100% interest in the issued share capital of certain wholly-owned subsidiaries. Details of the disposal are set out in note 36 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. PRINCIPAL SUBSIDIARIES (continued)

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Spotwin Investment Limited	British Virgin Islands	50.5%	50.5%	(9,400)	(93,532)	(74,896)	(65,660)
Individually immaterial subsidiaries with non-controlling interests				(195)	(9,617)	(1,695)	(1,501)
				(9,595)	(103,149)	(76,591)	(67,161)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below.

The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Spotwin Investment Limited and its subsidiaries		
Current assets	262,111	251,967
Non-current assets	143	187
Current liabilities	(410,562)	(382,174)
Non-current liabilities	–	–
Net liabilities	(148,308)	(130,020)
Equity attributable to owners of the Company	(73,412)	(64,360)
Non-controlling interests	(74,896)	(65,660)
Revenue	–	–
Expenses	(18,614)	(185,213)
Loss for the year	(18,614)	(185,213)
Loss attributable to the non-controlling interests	(9,400)	(93,532)
Total comprehensive expense for the year	(18,288)	(183,965)
Total comprehensive expense attributable to the non-controlling interests	(9,236)	(92,902)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3	18
Investments in subsidiaries	–	11,556
	3	11,574
CURRENT ASSETS		
Prepayments, deposits and other receivables	635	603
Amounts due from subsidiaries	69,610	69,604
Amounts due from joint ventures	130	130
Bank balances and cash	572	499
	70,947	70,836
TOTAL ASSETS	70,950	82,410
CURRENT LIABILITIES		
Other payables and accruals	182,586	143,413
Other borrowings	25,047	25,047
Loans from related companies	665,356	658,736
Amounts due to subsidiaries	181,218	180,601
	1,054,207	1,007,797
NET CURRENT LIABILITIES	(983,260)	(936,961)
TOTAL ASSETS LESS CURRENT LIABILITIES	(983,257)	(925,387)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	2021 HK\$'000	2020 HK\$'000
NET LIABILITIES	(983,257)	(925,387)
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(3,218,072)	(3,160,202)
	(983,257)	(925,387)

Chang Chien
Director

Lam Toi Man
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Note:

A summary of the Company's reserves is as follows:

	Share option reserve HK\$'000	Special capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	14,114	823,357	(3,305,214)	(2,467,743)
Loss and total comprehensive expense for the year	–	–	(692,459)	(692,459)
Transfer upon forfeiture of options	(14,114)	–	14,114	–
At 31 December 2020 and 1 January 2021	–	823,357	(3,983,559)	(3,160,202)
Loss and total comprehensive expense for the year	–	–	(57,870)	(57,870)
At 31 December 2021	–	823,357	(4,041,429)	(3,218,072)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 4 to the consolidated financial statements. The amount will be transferred to the accumulated losses when the related options are exercised or forfeited, or expire.

42. EVENTS AFTER THE REPORTING PERIOD

In March 2022, the Group has been notified by a bank that, the loan agreement dated 30 December 2019 entered into between a subsidiary of the Company and the bank has overdue, with an outstanding principal amount of RMB42,000,000. The Company is in active discussions with the bank for a potential resolution. Further details are set out in the announcement of the Company dated 2 March 2022.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	3,189	5,903	62,419	139,822	252,606
LOSS BEFORE TAX	(49,444)	(243,448)	(663,395)	(801,112)	(310,186)
Income tax (expense)/credit	(10)	54,737	78,430	104,629	(8,249)
LOSS FOR THE YEAR	(49,454)	(188,711)	(584,965)	(696,483)	(318,435)
Attributable to:					
Owners of the Company	(39,859)	(85,562)	(440,760)	(517,071)	(302,643)
Non-controlling interests	(9,595)	(103,149)	(144,205)	(179,412)	(15,792)
	(49,454)	(188,711)	(584,965)	(696,483)	(318,435)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	698,869	703,982	2,526,115	3,088,674	4,058,098
Total liabilities	(1,310,216)	(1,273,126)	(2,872,636)	(2,813,238)	(2,993,002)
Non-controlling interests	76,591	67,161	(35,358)	(192,785)	(380,259)
	(534,756)	(501,983)	(381,879)	82,651	684,837