天譽置業(控股)有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Provisional Liquidators Appointed)
(For Restructuring Purposes)

(Stock Code: 00059 and Bonds Stock Code: 5310, 5311, 5367, 5379, 5567, 5580, 5602, 5626, 5821 and 5855)

ANNUAL REPORT 2022

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. YU Pan *(Chairman)*
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*
Mr. WANG Chenghua
Mr. WEN Xiaobing *(Resigned on 22 June 2022)*

Non-executive Director:

Ms. WANG Kailing *(Appointed on 27 June 2022)*
Mr. WONG Lok *(Resigned on 17 June 2022)*

Independent Non-executive Directors:

Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

COMPANY SECRETARY

Mr. HUANG Tianbo

AUDIT COMMITTEE

Mr. CUI Yuan *(Chairman) (Appointed on 9 June 2022 and acted as chairman on 17 June 2022)*
Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

REMUNERATION COMMITTEE

Ms. TANG Yu *(Chairman)* *(Appointed on 9 June 2022 and acted as chairman on 17 June 2022)*
Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Mr. YU Pan
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

NOMINATION COMMITTEE

Mr. YU Pan *(Chairman)*
Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

RISK MANAGEMENT COMMITTEE

Mr. WEN Xiaojing *(Chairman)* *(Appointed on 9 June 2022 and acted as chairman on 22 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. WEN Xiaobing *(Resigned on 22 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 00059

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
Guangzhou Rural Commercial Bank Co., Ltd.
Bank of China (Hong Kong) Limited

CORPORATE INFORMATION

AUDITOR
Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

BOND LISTING
The Stock Exchange of Hong Kong Limited
The Company's medium term bonds,
Stock Code: 05821 (ISIN: XS1130150391)
The Company's medium term bonds,
Stock Code: 05580 (ISIN: XS1323898707)
The Company's medium term bonds,
Stock Code: 05626 (ISIN: XS1397876258)
The Company's medium term bonds,
Stock Code: 05310 (ISIN: XS1525845985)
The Company's medium term bonds,
Stock Code: 05367 (ISIN: XS1558627771)
The Company's medium term bonds,
Stock Code: 05855 (ISIN: XS1142114278)
The Company's medium term bonds,
Stock Code: 05567 (ISIN: XS1304503268)
The Company's medium term bonds,
Stock Code: 05602 (ISIN: XS1341411822)
The Company's medium term bonds,
Stock Code: 05311 (ISIN: XS1525848575)
The Company's medium term bonds,
Stock Code: 05379 (ISIN: XS1558627342)

NOTES LISTING
Singapore Exchange Securities Trading Limited
The Company's US$274,000,000 13%
Senior Notes (ISIN: XS2022224047)
The Company's subsidiary's US$292,000,000 13%
Senior Notes (ISIN: XS2272702338)

LEGAL ADVISERS
Hong Kong Laws:
Sidley Austin

Bermuda Laws:
Conyers Dill & Pearman

PRC Laws:
廣東聯合發展律師事務所
(Guangdong Lianhefazhan Law Firm)

COMPANY'S WEBSITE
http://www.skyfame.com.cn

CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the board of directors (the "**Board**") of Skyfame Realty (Holdings) Limited (the "**Company**"), I would like to present the review of the Group's annual results for the year ended 31 December 2022 (the "**Year**") and its outlook.

BUSINESS REVIEW

In year 2022, under the influence of complex environments such as the impact of the epidemic, high inflation, interest rate hikes by the Federal Reserve, and international turmoil, the global real estate market faces unprecedented challenges and differentiation.

China's real estate has also experienced an extremely bleak year in history. The market as a whole continues the downward pressure since last year, the industry confidence is at a low level, and the market demand and purchasing power are insufficient. Affected by superimposed epidemic factors, market demand and transactions continued to be weak, and the sales of major companies in the industry fell sharply compared with previous years. The "high turnover" model formed by fierce competition in the market suffered from the bottom line due to the sharp drop in sales, and the superimposed financing institutions generally avoided the industry's financing needs, which made matters worse. The liquidity risk continued to worsen and spread. Most private real estate companies have encountered liquidity difficulties one after another. Guaranteeing the delivery of properties and resolving liquidity risks has become the top priority in the industry.

Although steady development has always been the Group's priority strategy, the Group was not immune to the unprecedent difficulties affected by the industry generally. In year 2022, the Group recorded a total contracted sales of RMB1.5 billion, a decrease of 86% compared to last year; the turnover of properties delivered was RMB2.1 billion, a decrease of 73% compared with last year; the loss attributable to shareholders was approximately RMB3.49 billion, an increase of approximately 11.3 times year-on-year. And since late June 2022, after failing to repay certain due loans and notes, the Group has also encountered financial difficulties in fulfilling its due liabilities. In order to implement an orderly managed restructuring plan with creditors, the Company has applied to the Bermuda Court in July 2022 for the appointment of a "light touch" provisional liquidator for the purpose of debt restructuring which was approved by the Bermuda Court on 15 August 2022 (Bermuda time). The Company will continue to publish relevant announcements to provide the latest news to the shareholders and potential investors of the Company. Year 2022 is the most stressful year in the Group's history and its performance has fallen to the bottom.

FUTURE OUTLOOK

The major changes in the world that have not been seen in a century are accelerating. The Russia-Ukraine War continues. Global inflation is still high. The Fed is still under pressure to raise interest rates. The growth momentum of the world economy and trade has weakened. The world has entered a new period of turmoil and transform. China's development is at the time when strategic opportunities and risks coexist, and uncertain and unpredictable factors increase. While pursuing high-quality development, the Chinese economy is still facing the triple pressure from demand contraction, supply shock, and weakening expectations. However, we are cautiously optimistic about the Chinese government's 2023 GDP growth target of 5%, given that the COVID-19 pandemic is behind us and China's economy is large and resilient.

In terms of China's real estate industry, the industry suffered an unprecedented blow in 2022, and it will take time to deal with various risks arising from it. However, the stringent real estate control policies have turned loose, and three measures have been introduced to support real estate enterprises' financing in terms of credit, bonds and equity, market confidence is gradually recovering. At the beginning of the year, property sales in the first-tier cities represented by Beijing and Shanghai took the lead in recovering. Although it will take some time for the recovery to spread to the second- and third-tier cities, we expect the industry to recover gradually throughout the year. The situation in the second half of the year will be more obviously. It will be a high probability event that the whole year will be better than 2022.

The real estate industry has always been a pillar industry of China's economy. The yearning for a better life of 1.4 billion Chinese people has not changed. The Group still has confidence in the long-term development of the industry. In 2023, the group will continue to respond calmly, resolve risks, and ensure the stability of the group's operations; pay close attention to market trends, determine sales based on production, and seize opportunities for disposal of various projects in the market; continue to accelerate the construction progress of the old renovation project in Fengwei Village, Huangpu District, Guangzhou City, strive to achieve sales repayment; continue to resolutely carry out asset disposal work, and vigorously promote cash return; continue to focus on maintaining active communication with creditors of all parties and promoting debt restructuring to realize the best interests of creditors.

ACKNOWLEDGEMENTS

Being the chairman of the Board, I would also like to express my sincere gratitude to all our staff, customers, suppliers and business associates, creditors and shareholders for their unwavering assistance and support to the Group in the past years.

YU Pan
Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW

During the year 2022, the macro environment of the China's real estate industry has undergone tremendous downturn. Property buyers stayed away from the property market in China due to economic and home price uncertainties, concerns over the unpredictable repeated COVID-19 outbreaks, economic recession risk, certain property developers' failure to deliver the properties on time as well as the increasing risk of unemployment. Buyer sentiment has broadly sagged and nationwide home price fell late year 2021 for the first time since 2015. Fitch Ratings in April 2022 lowered its forecast on the property sales by value. Overall, the sale of property industry in China slowed down dramatically and prices fell. Alongside, the real estate developers began to encounter difficulties in raising fund through traditional channels in the capital market which has created tremendous pressure on the liquidity of most market players.

Although the Group's projects are mainly located in the Greater Bay Area and first and second-tier cities with the most resilient to turbulences, the Company has in year of 2022 experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the year of 2022, the Group achieved contracted sales totaling RMB1.5 billion, declined by 86% compared to the last year. The market downturn has had a material adverse effect on the Company's ability to realize its inventories or implement any disposal plan of its assets.

Further, since early 2022, the Group's access to new financing has not been notably improved which has further exacerbated the Group's current liquidity constraints.

Since late June 2022, in the aftermath of the failure to repay certain loans and notes that were mature, the Group encountered financial difficulties to meet its liabilities falling due. With the intention to implement an orderly administered restructuring program with creditors, the Company has applied to the Commercial Court of the Supreme Court Bermuda (the "**Bermuda Court**") for the appointment of "light touch" joint provisional liquidators ("**JPLs**") for debt restructuring purposes in July 2022 that was approved by the Bermuda Court on 15 August 2022 (Bermuda time). The announcements of the Company have been made on 16 August 2022 and 31 October 2022 in relation to the appointment of JPLs and the winding-up petition (the "**Petition**"). In most recently, the Chief Justice of the Bermuda Court adjourned the hearing of the Petition to Friday, 28 April 2023 (Bermuda time). Further announcements on the development of the debt restructuring and the Petition will be made by the Company to update the shareholders and potential investors of the Company as and when required.

Despite the current difficulties encountered, the management expects that the various supportive and comprehensive policies recently issued by the local government to real estate developers will have a positive effect on overall market conditions, leading the business environment relatively stable and healthy.

In the year of 2022, the Group recorded contracted sales totaling RMB1.5 billion (2021: RMB11.1 billion). The GFA contracted, covered 14 Projects under development and completed projects. Other than contracted sales that were delivered and recognized during the year, the remaining will be recognized as property sales in the later years in 2023 to 2024 when the subject properties are delivered.

A. BUSINESS REVIEW (continued)

The turnover of properties delivered in 2022 was RMB2.1 billion, declined by 73% compared to the figures of the last year. The Group had nine projects (2021: nine) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame • Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Kunming Skyfame City and Kunming Anning Linxi Valley. The Group delivered aggregate GFA of 268,000 sq.m. (2021: 846,000 sq.m.) and recorded property sale revenue before direct taxes of RMB2,121 million (2021: RMB8,147 million).

The Group's recognized sales of properties in sale value before direct taxes and saleable GFA by projects for the year are as follows:

	Recognized Sales	
Project	**Gross Amount**	**GFA Delivered**
	RMB'million	*sq.m.*
Guangzhou Skyfame Byland	15	1,000
Zhongshan Skyfame Rainbow	85	6,000
Chongqing Skyfame • Smart City	382	42,000
Nanning Skyfame Garden	37	16,000
Nanning Skyfame ASEAN Maker Town	95	17,000
Nanning Spiritual Mansions	225	1,000
Xuzhou Skyfame Time City	10	7,000
Kunming Anning Linxi Valley	846	115,000
Kunming Skyfame City	426	63,000
Total in year 2022	2,121	268,000

B. PROPERTY PORTFOLIO

As at 31 December 2022, we have project portfolio and potential land reserves in aggregate GFA of 27 million sq.m. mainly located in Guangzhou, Shenzhen, Zhongshan, Zhuhai, Huizhou in the Guangdong-Hong Kong-Macao Greater Bay Area, Nanning and Guilin in the Southern Region of China, Xuzhou and Nanchang in the Eastern Region of China, and Chongqing, Kunming and Guizhou in the Southwestern Region of China. The land reserves provide us a solid capacity for a sustainable growth in the approaching timelines. Depending on the status of development of each project, the profiles about our land bank are categorized into group 1 as "properties completed, under or held for development", group 2 as "co-operation projects" and group 3 as "potential land reserves" as below:

1. Properties completed, under or held for development

During the year, we held eighteen real estate development projects in mainland China of which six have been completed and the others under construction or for imminent development, together with joint venture projects we participated in and other projects held by a third parties that we are acting as project manager, all in all, we are holding interests in nineteen projects, either completed, under construction or for future development. As at 31 December 2022, all these projects renders a total GFA of approximately 10.4 million sq.m..

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

The table below sets out details of property portfolio.

Project	Location	Property type	Estimated total GFA *(sq.m.)*	Estimated total saleable GFA *(Note a)* *(sq.m.)*	Accumulated saleable GFA delivered *(sq.m.)*	Actual/ Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	160,000	126,000	2017–19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	2,104,000	901,000	–	2024–30	78%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	–	2025	99%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	–	2025	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	50%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	–	2023–24	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	942,000	2016–18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	766,000	2018–26	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	559,000	2020–22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2023–25	98%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	378,000	2019–21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021–2023	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	431,000	–	2023–25	89%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	64%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	968,000	467,000	2017–28	98%
Chongqing Skyfame Linxifu	Chongqing	Residential & ancillary commercial	448,000	352,000	–	2023–24	74%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	240,000	115,000	2022–23	*(note b)*
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	63,000	2022–27	90%
Sub-total – developed by subsidiaries			**10,396,000**	**7,447,000**	**3,708,000**		
Co-operation projects *(note c)*			**336,000**	**222,000**			
Total			**10,732,000**	**7,669,000**			

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

Note:

(a) Total saleable GFA excludes un-saleable area for municipal facilities, area allocated to a cooperative partner and resettlement housing to be provided without sale considerations in certain projects.

(b) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above project profile refers to GFAs under development by the project company.

(c) Co-operation projects refer to the project which is developed by joint venture pursuant to the relative agreements. The above project profile refers to the GFAs under development.

In Guangdong-Hong Kong-Macao Greater Bay Area:

(1) Guangzhou Skyfame Byland (“廣州天譽半島”)

The project, named as Guangzhou Skyfame Byland, is held by a subsidiary of the Company whereas a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司), is entitled to share 28% in developable GFA of the completed properties. The legal title over the remaining 72% of the completed properties rests with the Group.

The plot is located at Zhoutouzui, Haizhu district, Guangzhou, at the riverside of Bai e lake, one of the top 8 attractions in Guangzhou. The project represents the only sizable luxury living community with the widest river view in downtown of Guangzhou. The project is a mixed- use development with a total GFA of approximately 315,000 sq.m. (total saleable GFA of 160,000 sq.m.), consisting of seven towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

The entire project had been completed. 800 car parking spaces are retained by the Group for long-term leasing purpose.

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Guangdong-Hong Kong-Macao Greater Bay Area: (continued)

(2) Guangzhou Fengwei Village Project ("廣州鳳尾村項目")

The project is an old village redevelopment project located in Fengwei Village, Jiufo Street (九佛街), Huangpu District, Guangzhou. The project is adjacent to the Hongwei metro station, which is about one hour away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The project covers a land for a total GFA of 2,104,000 sq.m. (total saleable GFA of 901,000 sq.m.).

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited ("**Tianyu Jurong**"), was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, Tianyu Jurong became the cooperative entity for the project. The demolition works on the land and the construction has been commenced.

(3) Guangzhou Luogang Project ("廣州蘿崗項目")

The project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The project occupies a site of 50,263 sq.m. with planned GFA of 122,000 sq.m. (total saleable GFA of 101,000 sq.m). The land is originally granted for industrial purpose and our management plans to develop the project into serviced apartments and commercial properties. The management is currently negotiating with the district government about the redevelopment of the zone into a commercial project.

Guangzhou Luogang Project has development right enabling the Group to commence development subject to obtaining government approval on conversion of land uses. Investment costs paid on the project are presented as prepayments for proposed projects grouped into "Other receivables and prepayments" of the consolidated balance sheet.

(4) Skyfame Health Smart City ("天譽大健康智慧工業園")

The project, named as Skyfame Health Smart City is located at the southeast of Guangming New Zone, Shenzhen. The project company holds a right to redevelop on the land for a total GFA of 183,000 sq.m. (total saleable GFA of 128,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction has been commenced during 2021.

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Guangdong-Hong Kong-Macao Greater Bay Area: (continued)

(5) Zhongshan Skyfame Rainbow ("中山天譽虹悦")

The project, named as Zhongshan Skyfame Rainbow and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. The total GFA of the project is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). The entire project had been completed and has been delivered to buyers up to 31 December 2022.

(6) Skyfame Zhuhai Bay ("天譽珠海灣")

The Group has interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project has been developed into a residential development with total GFA of 276,000 sq.m. (saleable GFA of 212,000 sq.m.) for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsided housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2024.

In Southern Region of China:

(7) Nanning Skyfame Garden ("南寧天譽花園")

Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town, are collectively branded as"Nanning Skyfame City" ("南寧天譽城"). The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province. The project has been developed into a residential community, namely "Nanning Skyfame Garden", with a total GFA of 1,202,000 sq.m. (saleable GFA of 960,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants. The entire project had been completed and up to 31 December 2022, a total saleable GFA of 942,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the operation of our second "Yuwu Startup" co-work place.

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southern Region of China: (continued)

(8) *Nanning Skyfame ASEAN Maker Town ("南寧天譽東盟創客城")*

The development covers three land plots of 194,222 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi. The project is within walking distance from Nanning Skyfame Garden. The project is a development complex divided into east and west zone and is developed in phases. Planned total GFA is 1,305,000 sq.m. (saleable GFA of 1,047,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as Westin Nanning in a skyscraper in a height of 346 meters named as the Skyfame ASEAN Tower ("天譽東盟塔"), together with a community development consisting of serviced apartments, retail properties, and ancillary facilities specifically developed for young occupants named as "the World of Mr. Fish"("魚先生的世界"). The west zone features residential and retail properties named as "Nanning Skyfame Byland" ("南寧天譽半島"). Construction works of the two zones is scheduled to complete by phases up to 2026. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2022, residential and commercial units of saleable GFA of 766,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 281,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA are scheduled to be delivered in 2023 onwards until 2026, the expected year of delivery of Skyfame ASEAN Tower.

(9) *Nanning Spiritual Mansions ("南寧檀府 • 印象")*

The Group participates in an arrangement with 40% equity interest in a project company formed with two other local developers. The project is located in the core area of Wuxiang New Zone, between Skyfame Garden and Vanke Park, at the north of Yudong Avenue (玉洞大道) in Liangqing District, Nanning. The project, named as "Nanning Spiritual Mansions", is situated on a land plot of approximately 138,000 sq.m. and to be developed in GFA of 749,000 sq.m. (saleable GFA of 584,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2022, a total saleable GFA of 559,000 sq.m. has been delivered to buyers.

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southern Region of China: (continued)

(10) *Guilin Lipu Skyfame Jade Valley ("桂林荔浦天譽翡翠谷")*

The land of the project was acquired through a public auction. The project, named as Guilin Lipu Skyfame Jade Valley, is located in Lipu City (荔浦市) at the south of Guilin City. Lipu is the transportation hub to Guilin (桂林), Liaozhou (柳州), Wuzhou (梧州) and Hezhou (賀州) cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 236,000 sq.m. of which 230,000 sq.m is saleable. Construction commenced in late 2019 and delivery is expected to be in 2023 to 2025.

In Eastern Region of China:

(11) *Xuzhou Skyfame Time City ("徐州天譽時代城")*

Xuzhou Skyfame Time City is located at Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) in Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It is an eco-residential and commercial development with residential and ancillary commercial units. The project has been completed in 2021, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 378,000 sq.m. delivered up to 31 December 2022.

(12) *Xuzhou Skyfame Elegance Garden ("徐州天譽雅園")*

The project, named as Xuzhou Skyfame Elegance Garden, is located at 1 km apart from Xuzhou Skyfame Time City. The land plot was acquired through a land auction in 2017 with a total GFA of about 205,000 sq.m. (saleable GFA of 153,000 sq.m.). Up to 31 December 2022, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2023.

(13) *Xuzhou Skyfame Smart City ("徐州廣譽智慧城")*

The land of the project was acquired through a land auction in 2019. The site is located in the north of the downtown of Xuzhou in Jiulihu district (九里湖)，next to the Zhangxiaolou (張小樓) river and a wetland park under plan. The project, namely Xuzhou Skyfame Smart City, is a mixed development in a total GFA of 538,000 sq.m. (saleable GFA of 431,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced with construction works expected to be completed in 2023 to 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Eastern Region of China: (continued)

(14) Nanchang Skyfame Fenghuangyue ("南昌天譽鳳凰樾")

The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Nanchang Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed and but subject to certain minor rectification and upgrading works. Up to 31 December 2022, aggregate saleable GFA of 75,000 sq.m has been delivered to buyers.

In Southwestern Region of China:

(15) Chongqing Skyfame • Smart City ("重慶天譽 • 智慧城")

The project is located in Nanan District of Chongqing, one of the city's three major CBDs embracing the central government district, at the river shore of the Yangsze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties. The equity interests in the project company were acquired in phases starting in 2018 to 2019.

Phase 1 of the project, named as "Gold Purple" ("紫金一品"), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Phase 2, named as "Chongqing Skyfame•Smart City", is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 708,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held for long term and remaining 459,000 sq.m. for sale. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2028.

Up to 31 December 2022, aggregate saleable GFA of 467,000 sq.m. has been delivered to the buyers.

(16) Chongqing Skyfame Linxifu ("重慶天譽林溪府")

The site located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq.m. (saleable GFA of 352,000 sq.m.). Construction and presale has been commenced and it is expected to be completed by around 2024.

B. PROPERTY PORTFOLIO (continued)

1. Properties completed, under or held for development (continued)

In Southwestern Region of China: (continued)

(17) Kunming Anning Linxi Valley ("昆明安寧林溪谷")

The Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley, is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 295,000 sq.m. (saleable GFA of 240,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. Pre-sale was launched and the construction has been completed by phase. Up to 31 December 2022, aggregate saleable GFA of 115,000 sq.m. has been delivered to the buyers.

(18) Kunming Skyfame City ("昆明天譽城")

The land of this project was acquired through a land auction. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, is the first phase of a youth community project and is a residential development with total GFA of 507,000 sq.m. (saleable GFA of 389,000 sq.m.). Pre-sale was launched in 2020 and the completion of construction is expected to be completed by phase until year of 2027. Up to 31 December 2022, aggregate saleable GFA of 63,000 sq.m. has been delivered to the buyers.

2. Co-operation project

As of 31 December 2022, our property portfolio consists of project jointly developed by joint venture or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 0.3 million sq.m..

3. Potential Land Reserves

3.1 Intended bids for lands

To prepare for future land replenishments, we have signed co-operation agreements with local governments or a third party in Nanning, Xuzhou and Kunming for obtaining lands through future public auctions with an aggregate GFA of 11.7 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 Urban redevelopment projects

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide an aggregated estimated GFA of approximately 4.7 million sq.m.. Investments made on these projects are included as "Other receivables and prepayments" on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Group has capacity of additional land bank in estimated GFA of 16.4 million sq.m..

C. INVESTMENT PROPERTIES

Alongside with the development of properties for sale, the management selects suitable properties from the Group's projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2022, the Group holds six investment properties (2021: seven) in an aggregate GFA of approximately 328,700 sq.m. at aggregated fair values of RMB3,019.1 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

1. **Commercial properties under development in Chongqing Skyfame • Smart City**

   As a condition of the land transfer contract in respect of the properties under development in Chongqing Skyfame • Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,302.0 million as at 31 December 2022 (2021: RMB1,308.0 million).

2. **Commercial properties in Skyfame Nanning ASEAN Maker Town**

   Total GFA of 50,000 sq.m. is being leased to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper. The property, carries an open market value of RMB657.0 million as at 31 December 2022 (2021: RMB686.0 million).

3. **Car parking spaces in Guangzhou Skyfame Byland**

   800 car parking spaces were leased to a management company for fixed monthly rentals and subsequently terminated during the year. These car parking spaces carry an open market value of RMB486.0 million as at 31 December 2022 (2021: RMB538.0 million).

4. **Commercial podium at Tianyu Garden Phase II**

   Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB424.0 million as at 31 December 2022 (2021: RMB429.0 million).

5. **Office premises at Huancheng HNA Plaza**

   Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2022. The open market values of the premises as of 31 December 2022 are RMB52.1 million (2021: RMB54.0 million).

6. **Office premises at Capital Centre**

   Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is for long-term investment purpose. The open market value of the property as of 31 December 2022 is RMB98.0 million (HK$109.7 million) (2021: RMB111.5 million (HK$136.3 million)).

D. BUSINESS OUTLOOK

Our world today is living through accelerating changes unseen in a century, the Russia-Ukraine war continues, global inflation remains high, the US Federal Reserve remains under pressure to raise interest rates further, global economic and trade growth is weakening, and the world has entered a new phase of instability and transformation. China has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising.

While pursing high-quality of economic development, China is still under the triple pressures of shrinking demand, disrupted supply and weakening expectations. However, given the large and resilient size of the Chinese economy, we are cautiously optimistic about the Chinese government's target of 5% GDP growth in 2023, given that the COVID-19 pandemic is over.

In terms of China's real estate industry, the industry suffered an unprecedented storm in 2022, and various risks arising therefrom still need time to be addressed. However, strict real estate regulatory policies have shifted to easing, and policies have been introduced to support real estate enterprise financing in terms of credit, bonds, and equity. Market confidence is gradually recovering. At the beginning of the year, housing sales in first-tier cities represented by Beijing and Shanghai took the lead in recovering. Although it still will take some time for the recovery to spread to second and third-tier cities, we expect that the recovery of the industry will gradually emerge throughout the year, and the situation will be more obvious in the second half of the year. It will be a high probability event that the whole year performance will be better than 2022.

The real estate industry has always been a pillar industry of China's economy, and the aspiration of 1.4 billion Chinese people for a better life remains unchanged, so the Group still has confidence in the long-term development of the industry. In 2023, we will continue to respond calmly, defuse risks and ensure stable operation of the group. We will continue to pay close attention to the market trends, determine sales based on production, and seize the market opportunities of each project. We will continue to accelerate the construction progress of the old renovation project of Fengwei Village, Huangpu District, Guangzhou, and strive to achieve sales collection. We will continue to resolutely carry out asset disposal work, and vigorously promote cash repatriation. And we also will continue to focus on maintaining active communication with creditors of all parties and push forward debt restructuring to realize the best interests of creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

E. FINANCIAL REVIEW

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB1,949.1 million for the year (2021: RMB7,484.2 million). During the year, the Group had delivered GFA totaling approximately 268,000 sq.m. of properties in nine projects (2021: nine projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Kunming Anning Linxi Valley, Kunming Skyfame City, and Chongqing Skyfame • Smart City, at an overall average selling price of RMB8,000 per sq.m. (2021: RMB9,700 per sq.m).

Gross deficit on property sales for the year is 13.1% (2021: gross profit of 21.5%). The lower margins for the year is due to the intense market competition and the complex and volatile external real estate environment in PRC as compared to the last year.

The leasing of properties revenue amounted to RMB23.2 million (2021: RMB25.5 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong. The major investment property under development of the Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed in 2023 to 2026.

Operating expenses

Sales and marketing expenses amounted to RMB175.8 million for the year, a decrease of 39.5% compared to RMB290.7 million in the last year due to the Company's cost planning arrangement and the overall decline in the property sale environment.

Administrative and other expenses, amounting to RMB421.7 million (2021: RMB400.8 million), increased by 5.2% compared to last year. The increase in administrative and other expenses was primarily a result of advanced penalty and fines to layoffs of staff due to the Company's cost planning arrangement and the legal and professional expenses in relation to the debt restructuring and the legal cases of the Group during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB207.4 million for the year (2021: RMB270.7 million) of which RMB36.6 million (2021: RMB38.1 million) were capitalized as development cost of properties under development. As a result of the stringent cost and expense controls starting in late 2021, staff force is reduced by 20.5% and reflected by the reduction of number of staff at year end.

E. FINANCIAL REVIEW (continued)

Finance cost/income – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,237.4 million (2021: RMB1,064.7 million) for the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB764.9 million (2021: RMB4.5 million) charged against the operating results for the year related to general interest not qualified for capitalisation. Finance costs also included interest incurred on lease liabilities amounted to RMB19.4 million (2021: RMB18.3 million) and foreign exchange loss on financing activities of RMB323.7 million (2021: exchange gain of RMB97.8 million) of offshore loans denominated in HK$ and US$ booked at closing rates as a result of depreciation of RMB against the HK$ and US$ during the year.

Income tax expense

Income tax expense mainly includes land appreciation tax of RMB45.3 million (2021: RMB187.9 million) on properties sold for the year and provision of RMB6.2 million (2021: RMB595.8 million) for corporate income taxes on assessable earnings for the year, netting off the deferred tax credit totaling RMB301.2 million (2021: RMB209.7 million).

Loss/Profit for the year

Loss for the year was approximately RMB3,594.7 million (2021: a profit of RMB109.5 million).

Loss for the year included RMB3,491.3 million loss attributable to owners of the Company (2021: loss of RMB284.2 million) and RMB103.4 million (2021: gain of RMB393.7 million) loss attributable to non-controlling interests.

In 2022, the Group's net loss attributable to owners and the overall downward pressure on the Group's gross loss were mainly due to (i) the sharp decline in property sales recognized in the face of the complex and volatile external real estate environment in China; (ii) the downward on the gross profit margin in general as a result of intense market competition and the regulatory policies in the industry; (iii) the increase in finance cost; (iv) the increase in the provision of trade and other receivables and impairment of inventory due to the market uncertainties and the impact of the tough business environment in the real estate industry; (v) the expected net foreign exchange losses due to the fluctuations of foreign exchange rate and (vi) the continued impact of the COVID-19 epidemic. In view of the uncertainty of the current market conditions, the Group expedited the sales and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy of the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

E. FINANCIAL REVIEW (continued)

Liquidity and Financial Resources

		31 December	
		2022	2021
	Change in %	***RMB'000***	*RMB'000*
Total assets	-15.6%	**25,965,211**	30,776,471
Net assets	-69.6%	**1,707,111**	5,619,708

Total assets of the Group amounted to RMB25,965.2 million (2021: RMB30,776.5 million), a 15.6% decrease from last year. Properties under development, at carrying value of RMB11,840.9 million, is the biggest asset category, constituting 45.6% of the total assets of the Group. Total assets also include investment properties of RMB3,019.1 million, properties held for sale totaling RMB2,469.8 million, property, plant and equipment, right-of-use assets totaling RMB328.2 million, other receivables and prepayments totaling RMB5,105.5 million, restricted cash of RMB493.3 million and cash and cash equivalents of RMB83.6 million.

In order to ease the short-term financial stress and to enhance the liquidity position, the Company will focus on improving the net cash from operating activities and debt restructuring and to meet its funding requirements in its normal course of operation, procuring the disposal of noncore or idle assets and implementing tighter control over costs, working capital and capital expenditures.

Appointment of Joint Provisional Liquidators and Winding Up Petition and Possible Debt Restructuring of the Company

During the year of 2022, the Company made an application with the Bermuda Court for appointment of "light touch" joint provisional liquidators for debt restructuring purposes and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time), an Order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators on a light touch approach with limited powers for debt restructuring purposes. The Company will continue to maintain active communication with creditors and adopt practicable measures to unite the consensus of creditors in order to promote the implementation of the debt restructuring plan (the "**Debt Restructuring Proposal**"). For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 April 2023 (Bermuda time).

E. FINANCIAL REVIEW (continued)

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB11,436.4 million at the year-end date, slightly decreased by 0.3% from the balance of RMB11,475.8 million as at 31 December 2021. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

Net debt calculated as total borrowings net of cash and cash equivalents and less guarantee deposits for bank borrowings included in restricted cash (the "**Net Debt**"), increased to RMB11,340.8 million (2021: RMB7,832.8 million).

The cash level (excluded restricted cash secured for the payment of construction cost of related properties) at the year-end date decreased sharply to RMB95.6 million at 31 December 2022 (2021: RMB3,643.0 million), mainly due to the sharply decline in the sale performance and the return of restricted deposit received of RMB2,300.0 million during the year. The net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) increased to 86.9% as at 31 December 2022 (2021: 58.2%).

Current assets aggregated to RMB21,982.1 million as at 31 December 2022 (2021: RMB25,886.5 million), a decrease of 15.1% from last year. Current liabilities at the year-end date amounted to RMB19,009.1 million (2021: RMB19,856.0 million).

The current ratio is slightly decreased to 1.2 times as at 31 December 2022 (2021: 1.3 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Group.

Borrowings and pledge of assets

As at 31 December 2022, certain investment properties, self-use properties, right-of-use assets, properties held for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2022, aggregate outstanding balances of these secured borrowings amounted to RMB7,169.6 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB14.9 billion as at 31 December 2022. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group has been involved in a number of lawsuits arising in the ordinary course of business, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Group. Other than those disclosed elsewhere, where appropriate, the Group has no other significant contingent liabilities.

G. TREASURY MANAGEMENT

The Group is engaged in property development and other activities which are mainly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2022, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB6,430.2 million, representing 56.2% of total borrowings, and overseas properties for self-use and leasing in Hong Kong with carrying value of HK$159.3 million (equivalent to RMB142.3 million). All other assets and liabilities in material values are denominated in RMB. These assets and liabilities denominated in non-RMB are converted to RMB at the closing exchange rates of RMB against these US and HK dollars on consolidation into the financial accounts of the Group.

Throughout the year ended 31 December 2022, RMB has depreciated 9.3% and 9.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB323.7 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 31 December 2022 results to an exchange loss of RMB138.7 million which is recorded in the exchange reserve that forms part of the equity of the Group.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.

H. RISK MANAGEMENT

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. The standing risk management committee set up by the board of directors guides our management team to build up controls in the daily operational process and alerts the board on critical risks that may cause significant consequences. Our internal audit department conducts regular reviews to check the implementation of the controls.

I. EMPLOYEES

As at 31 December 2022, including three executive directors of the Company, the Group employed a total of 839 full-time staff, of which 168 work in site offices, 94 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 577 full-time staff in the property management offices in Greater Bay Area, Chongqing, Xuzhou, Nanning, Yongzhou and Kunming. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by cash bonuses and shares options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

J. GOING CONCERN

Due to the potential interaction of the multiple uncertainties regarding the plans and measures (details please refer to note 2.1(c) of the notes to the consolidated financial statements) of the Company and the possible cumulative effect on the consolidated financial statements, the Company's auditor (the "**Auditor**") has expressed that it is not possible for the Auditor to form an opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Disclaimer**"), the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report of this annual report.

Management's position, view and assessment on the Disclaimer Opinion

The directors of the Company have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, in light of the current position of the Group and the assessment and taking into account the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, the management admitted that material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group failed to achieve above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company and the development of the events, no sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis have been obtained by the Auditor during the audit. There were no other satisfactory audit procedures that Auditor could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements. Therefore, the disclaimer opinion on going concern has been concluded by the Auditor.

There was no disagreement between the management of the Company and the Auditor regarding the Disclaimer, considering that the consolidated financial statements have been prepared by the management on a going concern basis, the validity of which depends on the outcome of the measures under management's assumptions, which are subject to multiple uncertainties. In all other respects, in the opinion of the Auditor, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Action plan to address the Disclaimer

Certain measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

(i) The Group is undergoing the Debt Restructuring Proposal. The Debt Restructuring Proposal refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) revise certain key terms and conditions of the original borrowing agreements and indentures, including but not limited to extension of principal and interest payment schedules and reduction in applicable interest rates; and (ii) convert the outstanding debts into equity interests of project companies of the Group.

In respect of the above, the Company made an application with the Bermuda Court for appointment of "light touch" provisional liquidators and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the application, an order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the JPLs on a light touch approach with limited powers for restructuring purposes.

The JPLs and the Company are actively negotiating with the creditors of the Group for the Debt Restructuring Proposal.

(ii) In relation to the secured and non-secured bank borrowings which contain cross default clause, the Group is actively negotiating with the lenders for the waiver of the relevant clause.

(iii) The Group is also identifying and negotiating with potential investors to invest in various projects undertaken by the Group.

(iv) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group.

(v) The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustment and containment of capital expenditures.

(vi) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceed so as to generate adequate net cash inflows.

(vii) The Group has uncommitted project loan facilities and other general facilities, which can provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sales proceeds from the designated bank accounts to meet its other financial obligations; and

(viii) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

The directors of the Company believe that the current plans and measures are the most commercially practicable plans and measures in addressing the Group's liquidity matters and going concern. The directors and the management of the Company will focus on the current plans and measures and the implementation thereof, while keeping viable options open as they continue their efforts in addressing the going concern issue and Disclaimer.

Impact of the Disclaimer on the Company's financial position

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2022.

REMOVAL OF THE DISCLAIMER OF OPINION

As described in note 2.1 to the consolidated financial statements, the management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings. The above-mentioned plans and measures have been fully discussed with the Audit Committee and the Auditors. Contingent on the aforementioned plans and measures having a successful or favourable outcome, the Company expects that the Disclaimer of Opinion can be removed in the following year's audit of the Company (i.e. the audit for the financial year ending 31 December 2023). The Auditor's concern is on the status and development of (i) the Group's various defaulted borrowings; (ii) the Petition; and (iii) the progress of the Debt Restructuring Proposal. When the Group is able to resolve each of these matters to a satisfactory level, the Auditor will consider the removal of the Disclaimer of opinion in the coming audits of the Company.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YU Pan *(Chairman)*

Aged 58, joined the Company in December 2004 when he took control of the Company through acquisition of a controlling interest in the Company. He has been the controlling shareholder of the Company ever since then. Mr. YU has over 33 years of experience in the development of high-end residential, commercial and hotel projects in the PRC. He is a founder of the prestigious real estate company, 廣州市天譽控股集團有限公司 (Guangzhou Tianyu Holdings Group Company Limited*) (“**GZ Tianyu**”), which was set up in July 1997 and from which the Company acquired some real estate projects in Guangzhou in 2007.

Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*

Aged 59, joined the Group in April 2019 and was appointed as executive director in October 2019 and as chief executive officer in April 2023 overseeing the strategic planning and corporate development of the Group. Mr. JIN holds a doctor’s degree in Business Administration. He is a public valuer certified by the Ministry of Finance of the People’s Republic of China, a member of the China Appraisal Society and a certified senior economist.. Mr. JIN had held various senior executive positions at a nationwide asset management company in China with extensive experience in investment banking and asset management. Prior to joining the Group, he had held a role of executive director and CEO in Tianli Holdings Group Limited (Stock code: 00117.HK).

Mr. WANG Chenghua

Aged 45, joined the Group in March 2018 and was appointed as executive director in October 2018. Mr. WANG is also the President of the Group in charge of the Company’s merger and acquisition, corporate finance, overseas investment and business explorations. Mr. WANG holds a Master Degree in economic and obtained a Level C Certificate from International Project Management Association (IPMA) in 2003. Mr. WANG is also a member of CPA Australia. He has over 15 years of working experience in merger and acquisition, corporate finance and finance management. Prior to joining the Group, Mr. WANG worked for a Global 500 company for over 10 years.

NON-EXECUTIVE DIRECTOR

Ms. WANG Kailing

aged 43, holds a Bachelor’s degree and currently is the director and general manager of 廣州市融悦商業服務有限責任公司 (Guangzhou City Rong Yue Commercial Services Company Limited*) responsible for the development and operation management of the real estate sector in Pearl River Delta, the operation management of the real estate and urban renewal sectors of the property and financing companies in Greater Bay Area, and the investment management of major asset mergers and acquisitions in Guangdong area. Ms. Wang served as the deputy general manager of few real estate companies in China, mainly responsible for the development management of real estate projects; the pre-planning, operation and management of the reconstruction of old towns, old factories and old villages; and investment management of real estate development project in Hainan area and Pearl River Delta.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WEN Xiaojing

Aged 45, holds a Master's degree and is currently the vice president of 廣州決勝實業集團有限公司 (Guangzhou Juesheng Industrial Group Co., Ltd.*) responsible for the operation and management of the company's real estate sector. Mr. Wen has worked in a number of domestic real estate companies in China at management level, and has extensive experience in real estate and urban renewal, project investment management, asset mergers and acquisitions, and real estate project development management.

Mr. CUI Yuan

Aged 38, holds a Bachelor's degree, is currently a practicing lawyer of 北京市中倫文德(廣州)律師事務所 (Beijing Zhonglun W&D (Guangzhou) Law Firm*), a non-practicing member of the Chinese Institute of Certified Public Accountants, and holds the title of intermediate accountant. Mr. Cui has served as the tax officer (managerial grade) of a Fortune 500 company and the financial officer of medium and large private enterprises. He has extensive experience in finance, taxation and legal affairs, and is good at corporate governance, strategic planning, tax planning and transaction structure design.

Ms. TANG Yu

Aged 31, holds a Bachelor's degree and is the co-founder of a service company and focuses on comprehensive management in operation sector and the integration of company resources. Ms. Tang previously served various roles at the operation level in a number of property companies in the PRC mainly responsible for organizing, designing and evaluating investment plans, conducting financial forecasts and risk analysis of investment plans, establishing and maintaining company's strategic partnership.

COMPANY SECRETARY

Mr. HUANG Tianbo

Aged 37, joined the Group in May 2019 and has been appointed as the Company Secretary of the Company in August 2019. Mr. Huang holds a Master's degree in Corporate Governance. He is an associate member of The Hong Kong Chartered Governance Institute and is a qualified board secretary accredited by Shanghai Stock Exchange. Mr. Huang has extensive experience in the matters relating to the merger & acquisition and restructuring, corporate governance, investor relationship management and compliance issues of the public listed companies in the PRC and Hong Kong.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LIN Shengjie

Aged 57, is the Vice President of the Guangzhou head office in charge of all onshore financing in the PRC. Mr. Lin is a Bachelor Degree graduate in finance and accountancy of Guangdong University of Finance & Economics (廣東財經大學) and has over 32 years of working experience in the finance and accounting in property development, direct investments in the PRC, Thailand and Hong Kong. Before transferred to the Group, Mr. Lin joined GZ Tianyu in January 2002.

Mr. ZENG Fanyou

Aged 47, joined the Group in June 2016 and is the Vice President of Guangzhou head office in charge of sales and marketing management of property development. Mr. Zeng graduated from Henan University School of Economics (河南財經學院) with a Bachelor's Degree in Economics and holds a Project Management Professional certificate. He has 22 years of working experience in property sales and marketing in the PRC, working for Zhu Jiang Real Estate Development Co., Ltd. and New World China Land Limited in the past.

Mr. CHEN Jianwen

Aged 43, joined the Group in August 2018 and is the Vice President of Guangzhou head office in charge of planning and management of financial accounting, treasury and tax affairs of PRC operations. Mr. Chen graduated from Sun Yat-sen University (中山大學) with a Bachelor's Degree in management. He also holds the certificates of the Chinese Certified Public Accountant (CPA), Certified Tax Agents (CTA) and the Certified Internal Auditor (CIA). Mr. Chen worked in one of the big four international accounting firms as well as many well-known and listed real estate groups in China as a senior financial management. He has over 20 years of solid experiences in financial management.

Mr. SONG Tianyu

Aged 40, joined the Group in December 2018 and is the Vice President of Guangzhou head office in charge of the Group's overall operation and management. Mr. Song graduated from Xiamen University (廈門大學) with major in business administration. He has over 16 years of experience in administrative management. Prior to jointly the Group, Mr. Song worked in a Global 500 company in charge of administrative management for years.

Ms. LIU Yun

Aged 46, joined the Group in February 2019 and is the Vice President of Guangzhou head office, responsible for the Group's contract tendering and cost management. Ms. Liu graduated from Jiangxi University of Science and Technology (江西理工大學), major in engineering cost management, and holds a qualification certificate of intermediate engineer in construction cost. She was a senior management member of a well-known listed mainland real estate development group and has over 25 years of extensive experience in bidding and procurement, budgeting and final costs assessment, contract management and legal affairs.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through its Board of Directors (the "**Board**") and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period covered by the 2022 financial statements, in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except for the following deviation:

Code Provision C.2.1 – Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company are not separated as required but are currently dually performed by Mr. YU Pan since 2004.

Explanation on the deviation is elaborated below under the heading of "Segregation of the Management of the Board and the Management of the Group's Business".

BOARD OF DIRECTORS

As at 31 December 2022, the Board comprised seven Directors as follows:

Executive Directors

Mr. YU Pan *(Chairman)*
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*
Mr. WANG Chenghua
Mr. WEN Xiaobing *(Resigned on 22 June 2022)*

Non-executive Director

Ms. WANG Kailing *(Appointed on 27 June 2022)*
Mr. WONG Lok *(Resigned on 17 June 2022)*

Independent Non-executive Directors

Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

The terms of service of all the Independent Non-executive Directors are two years and are subject to automatic renewal and retirement provision under the amended and restated bye-laws of the Company (the "**Bye-laws**").

BOARD OF DIRECTORS (continued)

The attendance record of Directors and Committee Members in 2022 is as follows:

	Attendance Record of Directors and Committee Members in 2022					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	Annual General Meeting
Number of meetings held during the year 2022	11	3	2	2	1	1
Executive Directors						
Mr. YU Pan *(Chairman)*	11/11		1/1	1/1		1/1
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*	11/11					1/1
Mr. WANG Chenghua	11/11					1/1
Mr. WEN Xiaobing *(Resigned on 22 June 2022)*	6/6					1/1
Non-executive Director						
Ms. WANG Kailing *(Appointed on 27 June 2022)*	4/4					
Mr. WONG Lok *(Resigned on 17 June 2022)*	6/6					0/1
Independent Non-executive Directors						
Mr. WEN Xiaojing *(Appointed on 9 June 2022)*	7/7	2/2				
Mr. CUI Yuan *(Appointed on 9 June 2022)*	7/7	2/2				
Ms. TANG Yu *(Appointed on 9 June 2022)*	7/7	2/2				
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*	6/6	1/1	2/2	2/2	1/1	0/1
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*	6/6	1/1	2/2	2/2	1/1	1/1
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*	6/6	1/1	2/2	2/2	1/1	0/1
Average Attendance Rate	100%	100%	100%	100%	100%	62.5%

The Board is responsible for formulating and reviewing the long-term business directions and strategies, monitoring the operating and financial performance of the Group, and performing the corporate governance functions. Management is delegated by the Board with the authority to make decisions on daily operations. Both the Directors and management interact frequently to ensure efficient communications between the parties.

BOARD OF DIRECTORS (continued)

To the best knowledge of the Company, there is no financial, business and family relationship amongst the members of the Board, save as Mr. WANG Chenghua is the chairman, director and legal representative of 綠景控股股份有限公司 (Lvjing Holding Co., Ltd.) (“**Lvjing Holding**”), a PRC incorporated company. The Chairman of the Company, Mr. YU Pan, is the father of one of the shareholders of Lvjing Holding.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities of the Group.

BOARD DIVERSITY POLICY

The Board recognizes the contribution that diversification of the Board can enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. All appointments of directors will be made on merit and individual basis. Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The Board currently comprises two female Directors and five male Directors. The Board considers that the Company has achieved gender diversity at the Board level and targets to maintain at least the current level of female representation. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with the ultimate goal of bringing the Board to gender parity.

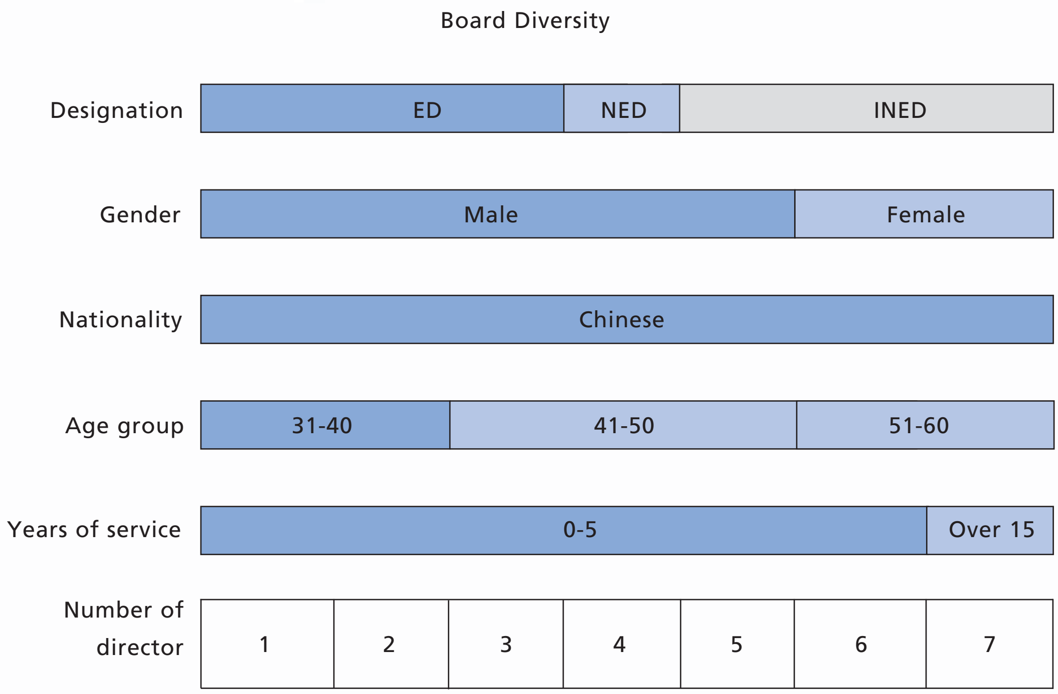
The gender ratio in the workforce of the Group, including senior management, as of 31 December 2022 is set out below:

	As of 31 December 2022	
Indicator	**Number of persons**	**Percentage of total number of employees**
Male employees	528	62.94%
Female employees	311	37.06%

In property development and property management industry, male employee occupies a higher ratio. The Group encourages gender diversity across its workplace and tries to maintain the proportion of female employees around 40%.

BOARD DIVERSITY POLICY (continued)

As at the date of this report, the Board's composition under major diversified perspectives is summarized as follows:



ED: Executive Director
NED: Non-executive Director
INED: Independent Non-executive Director

DIRECTORS' RESPONSIBILITY IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements on a going concern basis which give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance.

GOING CONCERN BASIS

As disclosed in Note 2.1(c) to the consolidated financial statements, adversely affected by the ongoing challenges facing the real estate market in China, the Group reported a loss of approximately RMB3,594,689,000, a loss attributable to the owners of the Company of approximately RMB3,491,272,000 for the year ended 31 December 2022 and a net cash outflow from operation of approximately RMB2,469,316,000. As at the same date, the Group's had total banks and other borrowings amounted to approximately RMB11,436,417,000, of which amounted to approximately RMB6,746,359,000 were repayable within 12 months, while its cash and cash equivalents and restricted cash amounted to approximately RMB83,644,000 and RMB493,279,000 respectively.

In addition, as discussed in Notes 2.1 and 27 to the consolidated financial statements, certain of the Group's loan arrangements expired and amounts outstanding remains payable as at the date of this annual report.

Appointment of joint provisional liquidators

On 24 June 2022, the Company failed to repay all the outstanding principal of a secured loan of HK$340 million together with its accrued but unpaid interest thereon after the grace period which triggered the cross-default of all offshore debts of the Group. If the relevant creditors of the other offshore financing arrangements of the Group choose to accelerate the payment in accordance with the terms of such financing arrangements, such financing arrangements may become due and payable immediately which will cause the Group's offshore debts to suffer heavy blows and also make the Group face unprecedented liquidity pressure at this stage.

In order to protect the fair and reasonable interests of all the Company's creditors, the Company is exploring various options to restructure the Company's debt and made an application with the Bermuda Court for appointment of "light touch" provisional liquidators and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the said application, an order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators (the "**JPLs**") on a light touch approach with limited powers for restructuring purposes. In respect of the latest progress, please refer to the Company's announcement which uploaded on the Stock Exchange from time to time.

In addition, one of the creditors of the Company filed a winding up petition to the High Court of the Hong Kong Special Administrative Region in relation to the alleged non-repayment by the Company of the senior notes.

The above situations has material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

GOING CONCERN BASIS (continued)

Responses from the Directors regarding the disclaimer of opinion set out in the Independent Auditor's Report for the year ended 31 December 2022

Pursuant to code provision D.1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statements, which give a true and fair view of the Group. The Directors are aware that as disclosed in note 2.1(c) to the consolidated financial statements in this annual report, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

After taking into account of the Group's cash flow projections covering a period of twelve months from the end of the reporting period of the year ended 31 December 2022 prepared by the management, and assuming the success of the debt restructuring and the measures to mitigate the liquidity pressure and to improve financial position, the Directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors consider the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate. However, as stated in the Independent Auditor's Report, the Auditor was unable to obtain sufficient supporting bases to assess the appropriateness and reasonableness of the use of the going concern assumption and thus unable to form an opinion of this basis. Although the management explained the situation to the Auditor, it is difficult for the management to provide such supporting evidences that the Auditor considers sufficient at this stage,

The Company has been actively tackling the challenges

The Directors and the management have been actively tackling the faced challenges. Such efforts include, without limitation:

(a) *The Company has been actively communicating with the creditors through the JPLs and pushing forward the progress of debt restructuring*

Creditors' Meetings and Progress of Debt Restructuring

The Directors and the management have been working harmoniously with the JPLs in an attempt to formulate a viable restructuring plan whilst engaging in discussions with the Company's creditors so as to take into consideration the creditors' best interests.

Two creditors' meetings were held on 28 September 2022 (the "**First Creditors' Meeting**") and 30 January 2023 (the "**Second Creditors' Meeting**") respectively. On the First Creditors' Meeting, the JPLs reported to the creditors (i) the background of their appointment; (ii) work undertaken by them since their appointment; (iii) outline of the financial position of the Company; and (iv) high level outline of the proposed restructuring plan. On the Second Creditors' Meeting, the JPLs reported to creditors (i) work undertaken by them since the First Creditors' Meeting; (ii) the restructuring proposal; (iii) feedbacks from creditors and the proposed enhancements to the proposal; and (iv) formation of an informal creditors committee ("**ICC**") which was resolved by the creditors and consists of nine members.

GOING CONCERN BASIS (continued)

The Company has been actively tackling the challenges (continued)

(a) *The Company has been actively communicating with the creditors through the JPLs and pushing forward the progress of debt restructuring (continued)*

Creditors' Meetings and Progress of Debt Restructuring (continued)

The Board considers the outcome of the Second Creditors' Meeting to be a positive step towards a successful restructuring as the formation of the ICC can facilitate discussion with the creditors and enable the Board and the JPLs to promote a restructuring plan that contains terms acceptable to the creditors. The Board has, following discussions with the JPLs who have obtained feedbacks from the creditors, refined the proposed terms of the restructuring in order to maximise the creditors' benefit (the "**Second Restructuring Proposal**"). Given the response from the creditors in the Second Creditors' Meeting, the Board is of the view that there are good prospects for the Second Restructuring Proposal.

The Directors and the management will continue to work closely with the JPLs to develop and gather sufficient support to the Company's restructuring plan via the ICC and considers that there is a reasonable prospect for a successful restructuring.

(b) *The Company continues to resolutely carry out asset disposal work*

The Company has identified a potential buyer to acquire an indirect 80% equity interest held in Chongqing Zhiyuan Property Co., Ltd. ("**Chongqing Zhiyuan**"). The potential buyer is the 20% minority shareholder of Chongqing Zhiyuan who is also a creditor of the Group in the sum of RMB280 million (which will be offset against the consideration for the disposal). The Company considers that disposing Chongqing Zhiyuan, even if there is no cash consideration, can immediately help relieve some of the Group's financial pressure, which outweighs the benefit of retaining the project. This will also assist in deleveraging the Group's overall project portfolio and enhance its capital structure so the Group does not need to continue financing this project. The proposed disposal is subject the approval of the shareholders of the Company in the special general meeting to be held. For details of the disposal, please refer to the Company's announcement dated 30 December 2022.

The Company is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects.

GOING CONCERN BASIS (continued)

The Company has been actively tackling the challenges (continued)

(c) The Company continues to ensure stable operation of the Group

The Company will continue its ongoing efforts to convince the lenders not to take aggressive actions against the Company for immediate payment of the principals and interest payables of the borrowings. The company continues to accelerate the construction progress of the old renovation project of Fengwei Village, Huangpu District, Guangzhou, and strive to achieve sales collection; and will continue to take active measures to control administrative costs and contain capital expenditures; and also to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Views of the Audit Committee and the Directors

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee noted that the Board and the management have been working closely with the JPLs and its advisors to formulate a viable restructuring plan to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position after discussion with the independent auditor.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors of the Company confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Company has provided resources and supports to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Besides, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the year ended 31 December 2022 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars in relation to directors' duties
Executive Directors		
Mr. YU Pan *(Chairman)*	✓	–
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*	✓	–
Mr. WANG Chenghua	✓	–
Non-executive Director		
Ms. WANG Kailing *(Appointed on 27 June 2022)*	✓	–
Independent Non-executive Directors		
Mr. WEN Xiaojing *(Appointed on 9 June 2022)*	✓	✓
Mr. CUI Yuan *(Appointed on 9 June 2022)*	✓	✓
Ms. TANG Yu *(Appointed on 9 June 2022)*	✓	✓

SEGREGATION OF THE MANAGEMENT OF THE BOARD AND THE MANAGEMENT OF THE GROUP'S BUSINESS

The Group currently maintains a relatively small but efficient staff force in the management team to take care of the daily operations of the property development business. In order to comply with the Code Provision C.2.1 of the CG Code, Mr. JIN Zhifeng has been appointed as Chief Executive Officer on 13 April 2023. Then, the roles of the Chairman of the Board who responsible for the management of the Board and Chief Executive Officer who leads the management of the Group's business are separated as required and played by Mr. YU Pan and Mr. JIN Zhifeng respectively. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The board has established four Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committees and Risk Management Committee. All Board committees have been established with defined written terms of reference, which are posted on the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

All Board committees meet regularly and are provided with sufficient resources to perform their duties. The committee members can seek independent professional advice at the Company's expense upon reasonable request.

CORPORATE GOVERNANCE FUNCTIONS (continued)

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code which includes the following:

(i) to develop, review and monitor the Group's policies on corporate governance and compliance with legal and regulatory requirements;

(ii) to review and monitor the training and continuous professional development of directors;

(iii) to develop, review and monitor the code of conduct applicable to the employees and Directors; and

(iv) to review the Group's compliance with the corporate governance code and disclosure requirements in the Corporate Governance Report.

The Board has reviewed the Corporate Governance Report to ensure its compliance with the disclosure requirements as set out in the Appendix 14 to the Listing Rules. The Company has issued "Policies on Preservation and Disclosure of Price Sensitive Information" in May 2013 to comply with the requisite inside information disclosure requirements as specified under the Securities and Futures Ordinance and the Listing Rules.

REMUNERATION COMMITTEE

As at 31 December 2022, the Remuneration Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board) and all three Independent Non-executive Directors, namely, Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu (Chairman of the Remuneration Committee).

The roles and functions of the Remuneration Committee are, amongst others, to make recommendations to the Board on the overall remuneration policy structured for all directors and senior management; and to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives achieved. The terms of reference of the Remuneration Committee are available at the Company's website at http://www.skyfame.com.cn and on the Stock Exchange's website at https://www.hkexnews.hk.

The Remuneration Committee held two meetings in March and May 2022 to which all the members attended the meeting. The matters discussed included (i) the review of the remuneration policy of the Group's directors and senior management; (ii) the cancellation of the outstanding awarded shares to be vested to the selected employees; and (iii) the approval of the remuneration package of the newly appointed non-executive/independent non-executive directors.

Details of the remuneration of each director are set out in the consolidated financial statements on pages 190 to 191 of this annual report.

NOMINATION COMMITTEE

As at 31 December 2022, the Nomination Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board and Nomination Committee) and all three Independent Non-executive Directors, namely, Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu.

The roles and functions of the Nomination Committee, amongst others, are to make recommendations to the Board on the procedures of appointment of directors and the selection from individuals nominated for directorship; to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; and to make recommendations on any proposed changes to the Board to complement the Group's corporate strategies. The terms of reference of the Nomination Committee are available at the Company's website at http://www.skyfame.com.cn and the Stock Exchange's website at https://www.hkexnews.hk.

The Nomination Committee held two meetings in March and May 2022 and all members attended the meeting. The matters discussed included (i) the review of the size, structure and composition of the Board; (ii) the assessment of the independence of independent non-executive directors; (iii) the adoption of nomination policy; (iv) the recommendation of retiring Directors for re-election in 2022 annual general meeting; and (v) the recommendations to the Board on the appointment new non-executive/independent non-executive directors.

AUDIT COMMITTEE

As at 31 December 2022, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. CUI Yuan (Chairman of the Audit Committee), Mr. WEN Xiaojing and Ms. TANG Yu.

The roles and functions of Audit Committee, amongst others, are as follows:

1. to review the integrity of accounts and financial reporting procedures;

2. to review and oversee the effectiveness of internal control systems;

3. to appoint external auditors and assess their qualifications, independence and performance; and

4. to review periodically the Company's and the Group's accounts for compliance with applicable accounting standards, legal and regulatory requirements on financial disclosures.

The terms of reference of the Audit Committee are available at the Company's website at www.skyfame.com.cn and the Stock Exchange's website at www.hkex.com.

AUDIT COMMITTEE (continued)

The Audit Committee held three meetings in March, June and August 2022 to which all members attended the meetings. The matters discussed in the meetings included: (i) reviewing the financial statements of the Company for the year ended 31 December 2021 and the six months ended 30 June 2022 before submission to the Board for approval; (ii) considering the findings disclosed in the bi-annual internal audit reports prepared by the Internal Audit Department; (iii) reviewing and discussing the effectiveness of the Group's internal controls system with the Chief Internal Auditor; and (iv) reviewing and discussing the 2022 work plan of Internal Audit Department. The representatives of the external auditor were present at the meeting held on 31 March 2022 and 28 June 2022 and discussed with the committee members, amongst the other agendas, their findings on major issues to the committee members on the audit of the financial statements for the year ended 31 December 2021 and the financial disclosure of the Group's project. The annual results for the year ended 31 December 2021 and the interim result for the six months ended 30 June 2022 have been reviewed by the Audit Committee before presenting to the Board for approval. In particular, in the meeting held in August 2022, the Audit Committee members have raised concern on the Company's going concern issue and its impact on the Company's financial statements; and queried the status of the Company's debt restructuring.

AUDITORS' REMUNERATION

PricewaterhouseCoopers resigned as auditor on 19 September 2022. The Company has engaged Moore Stephens CPA Limited as the Company's auditor for the year 2022.

During the year under review, the remuneration paid/payable to the Company's auditor is set out as follows:

Nature of service	**Fees** *Renminbi*
Audit services	2,600,000

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders of the Company and understands that the Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The members of the Board and committee members and the external auditor, where appropriate, are present to answer shareholders' questions in the meetings. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the Bye-laws. All the resolutions proposed to be approved at the general meetings are taken by poll. The chairman of the meeting and/or the secretary of the Company explain the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Independent scrutineers are engaged to supervise the entire process of the voting. An announcement of the results of the poll will be published on the Company's websites at http://www.skyfame.com.cn and the Stock Exchange's at https://www.hkexnews.hk.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has defined policy, namely the "Policies on Preservation and Disclosure of Price Sensitive Information", to govern the release of price sensitive information to the public in an equal, timely and effective manner to enable shareholders' easy appraisal of the Company's performance and business development, and senior staff who obtains sensitive information are refrained from dealing with shares of the Company. The Company has made prompt releases of information about the business and other affairs of the Group to the public and announced its annual and interim results in a timely manner within the time limits as laid down in the Listing Rules. To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at http://www.skyfame.com.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. During the year, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the shareholders communication policy is effective during the year end under review.

The 2023 annual general meeting is scheduled to be held at Unit 1401, 14/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong on Tuesday, 6 June 2023 at 3:00 p.m..

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year. A special resolution will be proposed in the forthcoming annual general meeting to amend the Company's existing Bye-laws to comply with the core shareholder protection requirements in the Listing Rules and relevant updated statutory provisions.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

At a meeting of reviewing the half-yearly and annual results of the Company, the Board will determine if dividend will be paid to shareholders and the extent of distribution. The maximum distributable amount of dividend shall be twenty percent (20%) of the consolidated post-tax profit of the Group for the period/year. However, such distribution ratio will be subject to adjustment after the Board's taking into account of other factors, including profit available for distribution by subsidiaries for the period/year and undistributed reserve as at the financial period/year end date, cash flow forecast of the Group, restriction from foreign exchange control and restriction from creditors over borrowers. However, if under special circumstances, where the profit is above the normal level, the Board can propose a special resolution if necessary to distribute a special dividend of higher ratio to shareholders.

The Board will realign such dividend distribution after taking account of the changes in business environment, the outlook of cash flow and financing arrangement.

COMPANY SECRETARY

All Directors are entitled to the company secretary's services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board meetings.

SHAREHOLDERS' RIGHTS

To protect the rights of shareholders to have reasonable involvements in the Company's affairs, the Bye-laws and applicable laws in Bermuda (the place of incorporation of the Company) provide shareholders the following rights about the holding of general meetings of the Company:-

Rights to convene a special general meeting

Pursuant to the Bye-law 58 of the Bye-Laws, members of the Company, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board to transact or discuss any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of each requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

SHAREHOLDERS' RIGHTS (continued)

Procedures for putting forward proposals at shareholders' meeting

Subject to Section 79 of The Companies Act 1981 of Bermuda, it shall be the duty of the Company, on the requisition in writing of (i) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than one hundred members, at the expense of the requisitionists:

(a) to give to members of the company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such intended resolution shall be deposited to the Company's registered office or principal place of business in Hong Kong not less than six weeks before the meeting (in the case of a requisition requiring notice of a resolution); and not less than one week before the meeting (in the case of any other requisition) together with a sum reasonably sufficient to meet the Company's expenses in sending the notice.

Upon receiving the requisition, the Company would take appropriate actions and make necessary arrangements in accordance with the requirements under the provision of the Bye-laws and Sections 79 and 80 of The Companies Act 1981 of Bermuda.

Company's contact details

For general enquires:

Enquiries, concerns and requisitions to the Board can be addressed to: (i) for shareholders and corporate investors, the secretary of the Company at the principal place of business in Hong Kong at Unit 1401, 14/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, or by fax to (852) 2890 4459, or by email to cs@sfr59.com or (ii) for other stakeholders, the customer officer at the head office in Guangzhou at 33/F., HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, the PRC (Postage code: 510610), or by telephone to (86 20) 2208 2888, or by fax to (86 20) 2208 2777.

For suggestions and complaints:

All the suggestions and complaints can be sent to our Hong Kong and Guangzhou offices as stated above or through the Company's website at www.skyfame.com.cn. The Company has set up separate mail box (tousu@tianyudc.com, jianyi@tianyudc.com) and telephone line ((86) 400-800-1910) to receive shareholders' and other stakeholders' suggestions and complaints which will be served by an officer designated for the relevant issues.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group and reviewing their effectiveness annually. The management is responsible for designing a system of well-defined policies, controls and procedures which are executed from time to time. The Chief Internal Auditor and risk management team report to the Board regularly on the effectiveness of these control systems.

Internal Audit Department

The internal audit department is a designated operating unit set up in the Group which plays a dominating role to ensure the internal control and risk management systems are functioning. The Group's system of internal control includes a defined management structure with clear lines of reporting, limits of authority that are designed to help the management team to carry out the daily management functions for the accomplishment of the Group's business strategies. The internal audit department plays an important lead in the development of internal control systems of the Group that safeguard its assets against unauthorised use or disposition, to maintain proper accounting records of reliable financial information, and to comply with relevant laws and regulations. The internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss, and to mitigate failure in material aspects in the Group's operations.

Risk Management Committee

The Risk Management Committee comprises three Independent Non-executive Directors, namely Mr. WEN Xiaojing (Chairman of the risk management committee), Mr. CUI Yuan and Ms. TANG Yu. The committee delegates its routine monitoring function to the risk management team which assists the management to develop systems to highlight risks and controls to alleviate risks. The risk management team consists of a risk management officer and the head of the internal audit department who report to the committee as to how the risk management work are carried out by the management and key risk factors highlighted by management are relieved and are addressed to the committee for review and recommendations.

The Risk Management Committee held one meeting in March 2022 to review the works performed and difficulties encountered by the risk management team during the year 2021. Those highlighted high level risks factors, covering aspects on strategic, regulatory, operational, financial and liquidity, were discussed in the meeting in which control measures defined by operating units for alleviation of risks were focused.

The major roles and functions of risk management team are to monitor and review the risk management system and advise to the Board about the effectiveness of and improvements to be made to the existing system and to review the internal control policies associated with the management of risks to ensure adequate control procedures have been developed in daily management to identify and encounter the risks.

The terms of reference of the Risk Management Committee are available at the Company's website at http://www.skyfame.com.cn and the Stock Exchange's website at https://www.hkexnews.hk.

RISK MANAGEMENT AND INTERNAL CONTROLS (continued)

Regular Review of the Risk Management and Internal Control Systems

Through regular interactions with the Risk Management Committee, the Chief Internal Auditor and the Audit Committee, the Board has assessed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2022.

The risk management team reported to the Board through the Risk Management Committee on high level risk factors identified which may potentially affect the Group's business and operations. The Risk Management Committee will consider the impact on the business and the likelihood of their occurrence so as to determines the risk management strategies to prevent, avoid or mitigate the risks.

The Chief Internal Auditor reports to the Chairman of the Board regularly and periodically to the Board through the Audit Committee with findings on regular and ad hoc internal audits. He developed the work plan setting out the objectives and scopes of the audit work to be undertaken for the year 2023 The internal audit covers testings on controls over financial, operation and compliance aspects of the Group. In the internal audit reports issued by the internal audit department, the Chief Internal Auditor highlights deficiencies in controls and makes recommendations on the internal control systems to the responsible managers in the operating units under internal review. Interim and annual internal audit reports issued by the internal audit department during the year 2022, comprising the details of audit work, findings and recommendations of improvements in all audit assignments performed by the internal control department, have been reviewed and discussed by the Audit Committee during the two audit committee meetings held in August and March 2022. In the internal audits performed in the year, the Chief Internal Auditor identified no fundamental deficiencies with material adverse consequences, but pointed out potential risks and areas for improvements and recommended to the management the remedial actions to be taken by the management team. The internal audit department consistently follows up those highlighted issues with the departments covered by the audits to ensure proper improvement measures are executed by management and also the follow-up results are reported in its audit reports.

Based on the audit findings and management responses noted from the assignments, though enhancements are required in certain areas that need to be taken for further improvements, the Board considers that, overall, the existing internal control system is effective and adequate in managing rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss

DIRECTORS' REPORT

The Directors herein present their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are property development, property investment, property management and provision of commercial services at our youth community projects.

BUSINESS REVIEW

Details of the operation of the Company's principal business during the year, as required by Schedule 5 to the Companies Ordinance, including an indication of likely future development in the Group's business, an analysis of key performance indicators, a description of the principal risks and uncertainties facing the Group are set out under the section "Management Discussion and Analysis" on pages 6 to 25 of this annual report and the Group's environmental policies and performance are set out under the section "A. Environmental" on pages 5 to 17 of the Environmental, Social and Governance Report.

There is no important event affecting the Group that has occurred after the year ended 31 December 2022. Details of the Company's relationships with its employees, suppliers and customers who have significant impacts on the Group and on which the Group's success depends are set out in a separate Environmental, Social and Governance Report for the year ended 31 December 2022 under the section headed "Social" in paragraphs B1 (Employment), B5 (Supply Chain Management) and B6 (Product Responsibility/Customers Service and Privacy) which is published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.skyfame.com.cn) in the manner prescribed under the Listing Rules.

The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year. In this regard, the Company has retained an in-house legal consultant and outsourced legal advisers in the PRC to provide advices on legal matters and, when necessary, will consult external lawyers of other territories in contemplated transactions.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 58 of this annual report.

No dividend for the year ended 31 December 2022 has been proposed by the board of directors of the Company (the "**Board**").

DIVIDEND POLICY

At a meeting of reviewing the half-yearly and annual results of the Company, the Board will determine if dividend will be paid to shareholders and the extent of distribution. The maximum distributable amount of dividend shall be twenty percent (20%) of the consolidated post-tax profit of the Group for the period/year. However, such distribution ratio will be subject to adjustment after the Board's taking into account of other factors, including profit available for distribution by subsidiaries for the period/year and undistributed reserve as at the financial period/year end date, cash flow forecast of the Group, restriction from foreign exchange control and restriction from creditors over borrowers. However, if under special circumstances, where the profit is above the normal level, the Board can propose a special resolution if necessary to distribute a special dividend of higher ratio to shareholders.

The Board will realign such dividend distribution after taking account of the changes in business environment, the outlook of cash flow and financing arrangement.

PRINCIPAL PROPERTIES

Details of the Group's principal properties under development, properties held for sale and investment properties are set out in notes 18, 19 and 15 to the consolidated financial statements respectively.

SHARE ISSUED IN THE YEAR

There was no movement in the share capital of the Company during the year ended 31 December 2022.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2022, the Company's distributable reserves amounted to RMB1,244.8 million (inclusive of the Company's share premium account in the amount of approximately RMB940.9 million which can be distributed to shareholders of the Company in the form of fully paid bonus shares in accordance with Section 40 of the Companies Act 1981 of Bermuda. Besides, to enlarge the base of distributable reserves of the Company, the Company customarily receives dividends declared by its subsidiaries from time to time. No dividend for the year ended 31 December 2022 has been proposed by the Board.

EQUITY LINKED AGREEMENTS

Other than the share options and shares awarded cancelled by the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares were entered into by the Company during the year.

Share Options

The Company adopted another share option scheme on 9 June 2015 (the "**2015 Scheme**") upon the expiry of the old share option scheme adopted in 2005 to provide incentives and rewards to eligible participants who are directors of the Company and employees of the Group.

During the year, no share option was granted to eligible participants and an aggregate of 5,201,100 share options were cancelled upon the resignation of employees. There were 76,799,933 share options outstanding under the 2015 Scheme as at 31 December 2022.

Details of the share options scheme are set out in note 33 to the consolidated financial statements.

EQUITY LINKED AGREEMENTS (continued)

Share Awards

On 3 July 2018, the Company adopted a share award scheme (the "**Share Award Scheme**") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Unless terminated earlier pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on its adoption date. The maximum aggregate number of shares to be awarded by the Board under the Share Award Scheme shall not exceed 5% of the issued share capital of the Company from time to time. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Pursuant to the Share Award Scheme, an aggregate of 143,500,000 Shares were conditionally awarded to Selected Employees on 26 April 2019 and 27 September 2019, including four (4) executive Directors, with vesting period of three (3) years from 1 May 2020 to 30 April 2022 upon fulfillment of certain performance targets set by the Company each year. In December 2020, 19,940,000 vested shares were transferred to the employees of the Group. In January and March 2021, an aggregate of 23,097,158 vested shares were transferred to the Directors and employees of the Group. Further in June and July 2022, an aggregate of 19,250,009 vested shares were transferred to the Directors and employees of the Group.

On 21 June 2022, the Board resolved to early terminate the Share Award Scheme. Pursuant to the terms of the Share Award Scheme, residual cash, net proceeds of sale of returned shares and other funds remaining in the trust constituted by the trust deed entered into between the Company and the trustee dated 3 July 2018 (the "**Trust Deed**") (after making appropriate deductions in respect of all actual and proper disposal costs, liabilities and expenses in accordance with the Trust Deed) shall be remitted to the Company forthwith after the sale.

Details of the Share Award Scheme are set out in note 34 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 30 and 41 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer and the five largest customers accounted for approximately 3.1% and 4.7% respectively of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier, being a main contractor for projects and five largest suppliers accounted for approximately 33.2% and 73.0%, respectively, of the Group's total purchases for the year.

To the knowledge of the Directors, none of the Directors and their associates, or any shareholders who own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

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

Senior notes

During the year, the Group has in the open market repurchased an aggregate principal amount of US$500,000 13% senior notes due 2023 which are listed and traded on the Singapore Exchange Securities Trading Limited.

Save as the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS AND THEIR SERVICE CONTRACTS

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

Executive Directors

Mr. YU Pan *(Chairman)*
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*
Mr. WANG Chenghua
Mr. WEN Xiaobing *(Deputy Chief Executive Officer) (Resigned on 22 June 2022)*

Non-executive Director

Ms WANG Kailing *(Appointed on 27 June 2022)*
Mr. WONG Lok *(Resigned on 17 June 2022)*

Independent Non-executive Directors

Mr. WEN Xiaojing *(Appointed on 9 June 2022)*
Mr. CUI Yuan *(Appointed on 9 June 2022)*
Ms. TANG Yu *(Appointed on 9 June 2022)*
Mr. CHOY Shu Kwan *(Resigned on 17 June 2022)*
Mr. CHENG Wing Keung, Raymond *(Resigned on 17 June 2022)*
Ms. CHUNG Lai Fong *(Resigned on 17 June 2022)*

In accordance with the Bye-law 83(2) of the Company's amended and restated bye-laws (the "**Bye-laws**"), Mr. WEN Xiaojing, Mr. CUI Yuan, Ms. TANG Yu and Ms. WANG Kailing will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

In accordance with Bye-law 84(1) of the Bye-laws, Mr. YU Pan and Mr. JIN Zhifeng will retire from office by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming general meeting has any 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' AND CONTROLLING SHAREHOLDER'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except as those disclosed in the section of "Connected Transactions" of this report hereinafter, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its holding company was a party and in which a director and/or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Specific Performance Obligations of the Controlling Shareholder

Pursuant to the terms of various bonds instruments and certain facility agreements entered into between the Company and various lenders, a change of control event (a "**Change of Control Event**") happens if Mr. YU Pan and his associates (as defined under the Listing Rules) cease to (i) collectively be the beneficial owners (directly or indirectly through wholly owned subsidiaries) of at least 30% or 50%, as applicable, of the issued share capital of the Company, or (ii) be the largest shareholder of the Company, or (iii) be employee of the Company or any Group company or any changes in the terms and conditions of employment of Mr. YU has been made (other than any adjustment in the annual salary of Mr. YU or any grant of discretionary bonus to Mr. YU duly approved by the remuneration committee and board of directors of the Company). Upon the occurrence of a Change of Control Event, the lenders will declare the outstanding loan together with accrued interest and all other amounts accrued to be immediately due and payable.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out in section headed "Brief biographical details of directors and senior management" on pages 26 to 28 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with directors or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

Interests in the Shares or underlying Shares

Name of Director	Company/Associated corporation	Capacity	Number of Shares or underlying Shares	Approximate shareholding percentage *(note 2)*
Mr. YU Pan ("**Mr. YU**")	Company	Interest of controlled corporation and/or beneficial owner	4,309,881,722 (long) 4,308,298,388 (short) *(note 1)*	51.03% 51.01%
Mr. WANG Chenghua ("**Mr. WANG**")	Company	Beneficial owner	2,994,000 (long)	0.04%
Mr. JIN Zhifeng ("**Mr. JIN**")	Company	Beneficial owner	2,994,000 (long)	0.04%

Notes:

1. These Shares comprised (i) 54,388,501 Shares directly held by Mr. YU; and (ii) 4,255,493,221 existing Shares held directly by Cosmos Tianyu Holdings Limited ("**Cosmos Tianyu**"). The entire issued share capital of Cosmos Tianyu was held by Sharp Bright International Limited ("**Sharp Bright**"), the entire issued share capital of which was held by Mr. YU. Mr. YU was therefore deemed to be also interested in 4,255,493,221 Shares held by Cosmos Tianyu by virtue of the SFO.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and his/her respective close associates had any other interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules).

SUBSTANTIAL SHAREHOLDERS

At 31 December 2022, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares *(note 1)*		Approximate shareholding percentage *(note 2)*
Sharp Bright	Interest of controlled corporation	4,255,493,221	(long)	50.38%
		4,255,493,221	(short)	50.38%
Cosmos Tianyu	Beneficial owner	4,255,493,221	(long)	50.38%
		4,255,493,221	(short)	50.38%

Notes:

1. The 4,255,493,221 existing Shares were held directly by Cosmos Tianyu. As the entire issued share capital of Cosmos Tianyu was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Cosmos Tianyu was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU, Mr. YU was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO.

2. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons or corporations who had long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CONNECTED TRANSACTIONS

On 30 December 2022, 重慶核盛房地產開發有限公司 (Chongqing Hesheng Property Development Co., Ltd.*) ("**Chongqing Hesheng**", an indirect 97.02% owned subsidiary of the Company), and 南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited*) ("**Tianyu Jurong**", an indirect 77.6% owned subsidiary of the Company), 重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Company Limited*) ("**Chongqing Tangcheng**", holding 20% equity interest in Chongqing Zhiyuan (as defined below) and an indirect wholly owned subsidiary of Datang Group Holdings Limited (大唐集團控股有限公司), the issued shares of which are listed on the main board of the Stock Exchange (stock code: 2117) and 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.*) ("**Chongqing Zhiyuan**", a PRC company directly owned as to an aggregate of 80% by the Chongqing Hesheng and holding Chongqing Skyfame Linxifu Project which is located at Bishan District, Chongqing, the PRC and is the gateway of Chongqing in the west) entered into a disposal agreement, pursuant to which Chongqing Hesheng and Tianyu Jurong, as the vendors, conditionally agreed to sell, and Chongqing Tangcheng, as the purchaser, conditionally agreed to acquire, an aggregate of 80% equity interest in the Chongqing Zhiyuan at a consideration of approximately RMB542.1 million. As at the date of this annual report, Chongqing Zhiyuan has a registered and paid up capital of RMB100,000,000 and is owned as to 60% by Chongqing Hesheng, 20% by Tianyu Jurong and 20% by Chongqing Tangcheng. The Company's aggregate effective equity interest in Chongqing Zhiyuan is approximately 73.73%. Upon Completion, the Company will cease to have any equity interest in Chongqing Zhiyuan and Chongqing Zhiyuan will cease to be a subsidiary of the Company. The aforesaid transaction is yet to be approved by the shareholders of the Company in the special general meeting to be held in May 2023. Please refer the Company's announcement dated 30 December 2022 for details.

Save as the transactions stated in note 38 to the consolidated financial statements which amounts separately did not meet the disclosure requirements under the Listing Rules, none of the Directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2022 which was significant in relation to the business of either the Group or has any material personal interest.

RETIREMENT BENEFIT SCHEMES

Particular of the retirement benefits schemes of the Group are set out in note 9 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 200 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirmed that the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Director(s) shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation to any affairs of the Company.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

AUDITOR

PricewaterhouseCooper ("**PwC**") has resigned as auditor of the Company with effect from 19 September 2022. The Board has appointed Moore Stephens CPA Limited ("**Moore Stephens**") as new auditor of the Company to fill the vacancy following PwC's resignation and to hold office until the conclusion of the next annual general meeting.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore Stephens as auditor of the Company.

On behalf of the Board

JIN Zhifeng
Director
Hong Kong, 30 March 2023

INDEPENDENT AUDITOR'S REPORT

MOORE

Moore Stephens CPA Limited

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大華馬施雲
會計師事務所有限公司

To the Shareholders of Skyfame Realty (Holdings) Limited
(incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Skyfame Realty (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 199, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements

As disclosed in Note 2.1(c) to the consolidated financial statements, the Group incurred a net loss of approximately RMB3,594,689,000 and had negative operating cash flows of approximately RMB2,469,316,000 during the year ended 31 December 2022. In addition, the Group's cash and cash equivalents was amounted to approximately RMB83,644,000 whilst the Group's banks and other borrowings of approximately RMB6,746,359,000 were classified as current liabilities, including those banks and other borrowings of approximately RMB4,007,942,000 which were reclassified from non-current liabilities due to breach of covenants up to 31 December 2022.

In addition, as disclosed in Notes 2.1 and 27 to the consolidated financial statements, certain of the Group's loans payable have not been settled as of and amounts outstanding remains payable as at the date of approval of these consolidated financial statements. In the opinion of the directors of the Company, in order to protect the fair and reasonable interests of all the Company's creditors, the Company explored various options to restructure the Company's debts and applied for a winding up petition to the Bermuda Court during the year ended 31 December 2022. In addition, one of the creditors filed a winding up petition to the High Court of the Hong Kong Special Administrative Region in relation to the alleged non-repayment by the Company of the senior notes. Up to the date of approval of the consolidated financial statements, the Group is still negotiating with the creditors for a proposed debt restructuring plan.

The above situations indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis for Disclaimer of Opinion (continued)

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements (Continued)

As disclosed in Note 2.1 to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account certain plans and measures. The validity of the going concern assumption is dependent on the successful and favourable outcomes of these plans and measures being undertaken by the management of the Company, which are subject to uncertainties including.(i) successful negotiation with relevant creditors and the execution of proposed debt restructuring plan; (ii) successful negotiation with banks for the waiver of cross default clause; (iii) successful identification and negotiation of potential investors to invest in various projects undertaken by the Group; (iv) successful disposal of certain commercial properties and timely collection of sales proceeds; (v) successful implementation of the measures to accelerate the pre-sales and sales of properties under development and properties held for sales and timely collection of the relevant sales proceeds and control the administrative costs and capital expenditures; and (vi) successful obtaining and other alternative financing. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

However, in respect of the assumption regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company and the development of the events, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2022.

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

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

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

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

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

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

This report is made solely to you, as a body in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this 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.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**2,069,989**	7,662,876
Cost of sales and services		**(2,275,233)**	(5,965,692)
Gross (loss)/profit		**(205,244)**	1,697,184
Other income		**5,802**	7,372
Other gains/(losses) – net	6	**13,008**	(11,179)
Sales and marketing expenses		**(175,796)**	(290,656)
Administrative and other expenses		**(421,711)**	(400,788)
Fair value changes in investment properties	15	**(204,447)**	(5,335)
Impairment loss of properties under development and properties held for sale		**(1,169,096)**	(90,038)
Impairment loss on interest in a joint venture	16	**(20,161)**	–
Impairment loss of trade receivables, deposits and other receivables	3.1(b)(iii)	**(116,670)**	(41,749)
Impairment loss on amounts due from non-controlling interests	3.1(b)(iii)	**(117,028)**	(1,338)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale	24	**(12,093)**	–
Fair value changes of financial assets at fair value through profit or loss ("**FVPL**")	20	**(249,219)**	(271,383)
Loss on partial disposal of a subsidiary	31	**(77,361)**	–
Operating (loss)/profit		**(2,750,016)**	592,090
Share of (loss)/profit of a joint venture, net of tax	16	**(3,988)**	414
Share of loss of an associate, net of tax	17	**(641)**	–
Finance (costs)/income - net	7	**(1,089,734)**	90,943
(Loss)/profit before income tax		**(3,844,379)**	683,447
Income tax credit/(expense)	10	**249,690**	(573,979)
(Loss)/profit for the year		**(3,594,689)**	109,468
Other comprehensive (loss)/income, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(138,674)**	5,899
Total comprehensive (loss)/income for the year		**(3,733,363)**	115,367
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(3,491,272)**	(284,209)
– Non-controlling interests		**(103,417)**	393,677
		(3,594,689)	109,468
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(3,629,946)**	(278,310)
– Non-controlling interests		**(103,417)**	393,677
		(3,733,363)	115,367
Loss per share			
– Basic (expressed in RMB)	11	**(0.414)**	(0.035)
– Diluted (expressed in RMB)	11	**(0.414)**	(0.035)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	13	**112,095**	538,580
Right-of-use assets	14	**216,087**	362,425
Investment properties	15	**3,019,134**	3,658,458
Interest in a joint venture	16	**20,162**	44,311
Interest in an associate	17	**89,359**	–
Deferred tax assets	28	**526,251**	286,170
		3,983,088	4,889,944
Current assets			
Properties under development	18	**11,840,893**	14,272,226
Properties held for sale	19	**2,469,807**	1,692,505
Financial assets at FVPL	20	**–**	226,956
Trade receivables	21	**181,557**	198,106
Other receivables, deposits and prepayments	21	**5,105,497**	4,987,771
Contract costs	22	**282,207**	298,342
Restricted cash	23	**493,279**	2,879,579
Cash and cash equivalents	23	**83,644**	1,331,042
		20,456,884	25,886,527
Assets of a disposal subsidiary classified as held for sale	24	**1,525,239**	–
		21,982,123	25,886,527
Current liabilities			
Trade payables	25	**35,952**	43,275
Accruals and other payables	25	**5,437,758**	5,961,909
Contract liabilities	26	**4,165,517**	5,387,594
Lease liabilities	14	**17,507**	17,507
Bank and other borrowings	27	**6,746,359**	6,777,010
Income tax payable		**1,620,398**	1,668,682
		18,023,491	19,855,977
Liabilities of a disposal subsidiary classified as held for sale	24	**985,607**	–
		19,009,098	19,855,977
Net current assets		**2,973,025**	6,030,550
Total assets less current liabilities		**6,956,113**	10,920,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank and other borrowings	*27*	**4,690,058**	4,698,797
Lease liabilities	*14*	**191,715**	172,354
Deferred tax liabilities	*28*	**367,229**	429,635
		5,249,002	5,300,786
Net assets		**1,707,111**	5,619,708
Equity			
Share capital	*29*	**26,092**	26,092
Other reserves	*29, 30*	**1,717,603**	1,693,396
(Accumulated losses)/retained earnings	*30*	**(1,143,285)**	2,507,856
Equity attributable to owners of the Company		**600,410**	4,227,344
Non-controlling interests		**1,106,701**	1,392,364
Total equity		**1,707,111**	5,619,708

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 58 to 199 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

JIN Zhifeng
Director

WANG Chenghua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to owners of the Company									
	Notes	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Share held for share award scheme reserve RMB'000	Foreign exchange reserve RMB'000	Other reserves RMB'000	Retained profits/ (accumu-lated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021		24,680	579,406	44,382	(123,242)	197	826,315	2,995,966	4,347,704	447,054	4,794,758
(Loss)/profit for the year		–	–	–	–	–	–	(284,209)	(284,209)	393,677	109,468
Other comprehensive income		–	–	–	–	5,899	–	–	5,899	–	5,899
Total comprehensive income/(loss) for the year		–	–	–	–	5,899	–	(284,209)	(278,310)	393,677	115,367
Transaction with owners:											
Issue of shares: share placing	*29(ii)*	1,340	351,211	–	–	–	–	–	352,551	–	352,551
Issue of shares: exercise of share options issue	*29(i), 33*	72	10,281	(3,623)	–	–	–	–	6,730	–	6,730
Employee share option and share award schemes	*33, 34*	–	–	6,640	–	–	–	–	6,640	–	6,640
Reallocation of lapsed options from share-based payment reserve to retained profits	*33*	–	–	(372)	–	–	–	372	–	–	–
Shares transferred to employee under share award schemes	*34*	–	–	(24,023)	20,325	–	–	3,698	–	–	–
Capital injections from non- controlling interests		–	–	–	–	–	–	–	–	549,790	549,790
Purchase of shares from non- controlling interest		–	–	–	–	–	–	–	–	2,843	2,843
Final dividend for 2020	*12*	–	–	–	–	–	–	(210,824)	(210,824)	–	(210,824)
Dividends received under the share award scheme		–	–	–	–	–	–	2,853	2,853	–	2,853
Distributions to non-controlling interests		–	–	–	–	–	–	–	–	(1,000)	(1,000)
At 31 December 2021 and 1 January 2022		**26,092**	**940,898**	**23,004**	**(102,917)**	**6,096**	**826,315**	**2,507,856**	**4,227,344**	**1,392,364**	**5,619,708**
Loss for the year		–	–	–	–	–	–	(3,491,272)	(3,491,272)	(103,417)	(3,594,689)
Other comprehensive loss		–	–	–	–	(138,674)	–	–	(138,674)	–	(138,674)
Total comprehensive loss for the year		–	–	–	–	(138,674)	–	(3,491,272)	(3,629,946)	(103,417)	(3,733,363)
Transaction with owners:											
Employee share option and share award schemes	*33, 34*	–	–	225	–	–	–	–	225	–	225
Reallocation of lapsed options from share-based payment reserve to accumulated losses	*33*	–	–	(2,398)	–	–	–	2,398	–	–	–
Shares transferred to employee under share award schemes	*34*	–	–	(15,400)	17,161	–	–	(1,761)	–	–	–
Cancellation of share award scheme	*34*			(2,746)	85,756		(37,524)	(42,699)	2,787	–	2,787
Capital contribution from non- controlling interests		–	–	–	–	–	–	–	–	36,750	36,750
Transfer to reserve		–	–	–	–	–	117,807	(117,807)	–	–	–
Partial disposal of a subsidiary	*31*	–	–	–	–	–	–	–	–	(142,954)	(142,954)
Distributions to non-controlling interests		–	–	–	–	–	–	–	–	(76,042)	(76,042)
At 31 December 2022		**26,092**	**940,898**	**2,685**	**–**	**(132,578)**	**906,598**	**(1,143,285)**	**600,410**	**1,106,701**	**1,707,111**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 **RMB'000**	2021 *RMB'000*
Cash flows from operating activities			
Cash used in operations		**(2,369,495)**	(1,018,139)
PRC corporate income tax paid		**(16,134)**	(316,641)
PRC land appreciation tax paid		**(83,687)**	(128,078)
Net cash used in operating activities	*35(a)*	**(2,469,316)**	(1,462,858)
Cash flows from investing activities			
Interest received		**18,163**	69,760
Proceeds from partial disposal of a subsidiary, net of cash disposed of	*31*	**224,999**	–
Addition to assets under construction		**–**	(27,969)
Purchases of property, plant and equipment	*13*	**(507)**	(3,818)
Proceeds from disposal of financial assets at FVPL		**–**	254,449
Repayments from non-controlling interests of subsidiaries		**38,372**	108,273
Net cash generated from investing activities		**281,027**	400,695
Cash flows from financing activities			
Proceeds from share placing	*29(ii)*	**–**	352,551
Proceeds from issue of ordinary shares for share option schemes	*29(i)*	**–**	6,730
Purchase of shares from non-controlling interests		**–**	(2,100)
Repayment of cash advance from related parties		**(4,006)**	–
Proceeds from bank and other borrowings	*35(b)*	**1,838,576**	6,288,462
Repayments of bank and other borrowings	*35(b)*	**(2,441,883)**	(3,493,788)
Interest and other borrowing costs paid	*35(b)*	**(673,465)**	(952,630)
Capital injections from non-controlling interests		**36,750**	549,790
Decrease/(increase) in restricted cash		**2,300,000**	(2,119,871)
Dividend paid to owners of the Company		**–**	(210,824)
Distribution paid to non-controlling interests		**(76,042)**	(1,000)
Net cash generated from financing activities		**979,930**	417,320
Net decrease in cash and cash equivalents		**(1,208,359)**	(644,843)
Effect of exchange rate changes on cash and cash equivalents		**(30,916)**	7,172
Cash and cash equivalents at beginning of year		**1,331,042**	1,968,713
		91,767	1,331,042
Less: Cash and cash equivalents included in assets of a disposal subsidiary classified as held for sale	*24*	**(8,123)**	–
Cash and cash equivalents at end of year	*23*	**83,644**	1,331,042

1. GENERAL

Skyfame Realty (Holdings) Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its (a) registered office, (b) head office and principal place of business in the People's Republic of China ("**PRC**"), and (c) principal place of business in Hong Kong are at (a) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; (b) 32nd to 33rd floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC and (c) Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company continues to be investment holding. Other than the operations in our youth community developments which currently do not bear operating results, assets or liabilities of significance to the Group, the principal activities of its subsidiaries are property development, property investment and property management.

These consolidated financial statements have been approved and authorised for issue by the board of directors (the "**Board**") of the Company on 30 March 2023.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation and presentation

(a) Compliance with HKFRSs and HKCO

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

(b) *Historical cost convention and presentation currency*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("**FVPL**") and investment properties which are carried at fair value.

Assets and liabilities of a disposal subsidiary classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 24.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. All values are rounded to the nearest thousand except when otherwise indicated.

(c) *Going concern basis*

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans and measures.

The Group reported a loss of approximately RMB3,594,689,000, a loss attributable to the owners of the Company of approximately RMB3,491,272,000 for the year ended 31 December 2022 and a net cash outflow from operation of approximately RMB2,469,316,000. As at the same date, the Group's had total banks and other borrowings amounted to approximately RMB11,436,417,000, of which amounted to approximately RMB6,746,359,000 were repayable within 12 months, while its cash and cash equivalents and restricted cash amounted to approximately RMB83,644,000 and RMB493,279,000 respectively.

Since January 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across China and other countries. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental income and so on.

The business of the Group is also subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

As at 31 December 2022, the Group's borrowings to the extent of approximately RMB4,872,846,000 were either overdue or immediately repayable despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 31 December 2022. This is mainly because:

(i) On 24 June 2022 and 8 July 2022, the Group failed to make principal and interest payment totaling approximately RMB1,957,968,000 under the relevant terms and conditions of its loan and senior notes, details of which are disclosed in Note 27. This constituted an event of default under the respective terms of senior notes and bonds. As a result, the outstanding principal amounts of the senior notes and bonds totaling approximately RMB2,240,051,000 became immediately due and payable (subject to the terms and conditions as stipulated in the Note 27 below) with original contractual repayment date in 2023, 2024 and 2032 have been classified as current liabilities as at 31 December 2022;

(ii) As at 31 December 2022, non-current secured and non-secured bank borrowings with principal amount of approximately RMB547,655,000 with contractual repayment dates of 19 February 2024 and 5 April 2033 contains a repayable on demand clause. As a result, the outstanding amount has been classified as current liabilities as at 31 December 2022; and

(iii) As at 31 December 2022, other borrowings with principal amount to the extent of approximately RMB270,100,000 were on repayable on demand terms.

Together with the interest payables and default interests for borrowings to the extent of approximately RMB1,211,290,000 and RMB26,090,000 respectively, as at 31 December 2022, the aggregate borrowings and interests that were either overdue or immediately repayable amounted to approximately RMB6,110,226,000 as at 31 December 2022.

In order to protect the fair and reasonable interests of all the Company's creditors, the Company made an application with the Bermuda Court for appointment of "light touch" provisional liquidators and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the application, an order (the "**Order**") in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators (the "**JPLs**") on a light touch approach with limited powers for restructuring purposes.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

Under the Order, for so long as the JPLs are appointed to the Company, no action or proceeding shall be proceeded with or commenced against the Company except with leave of the Bermuda Court and subject to such terms as the Bermuda Court may impose; no payment or disposition of the Company's property or issuance or allotment of new shares could be made or effected without the approval of the JPLs.

On 11 October 2022, the Company received a winding-up petition against the Company (the "**Petition**") presented by one of the creditors to the High Court of the Hong Kong Special Administrative Region (the "**High Court**") in relation to the alleged non-repayment by the Company of the senior notes. Details of the relevant senior notes are set out in Note 27.

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

(i) The Group is undergoing the debt restructuring plan (the "**Debt Restructuring Proposal**"). The Debt Restructuring Proposal refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) revise certain key terms and conditions of the original borrowing agreements and indentures, including but not limited to extension of principal and interest payment schedules and reduction in applicable interest rates; and (ii) convert the outstanding debts into equity interests of project companies of the Group.

In respect of the above, the Company and the JPLs to plan, analysis and facilitate the Debt Restructuring Proposal and to actively negotiating with the creditors of the Company for the Debt Restructuring Proposal.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

(ii) In relation to the secured and non-secured bank borrowings which contain cross default clause, the Group is actively negotiating with the lenders for the waiver of the relevant clause.

(iii) The Group is identifying and negotiating with potential investors to invest in various projects undertaken by the Group.

(iv) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group.

(v) The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustment and containment of capital expenditures.

(vi) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceed so as to generate adequate net cash inflows;

(vii) The Group has uncommitted project loan facilities and other general facilities which can provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations; and

(viii) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, in light of the above plans and measures and taking into account the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above.

Should the Group failed to achieve abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 Adoption of amendments to HKFRSs

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

In addition, the Group has adopted the Amendments to AG 5 (Revised) – Merger Accounting for Common Control Combination.

The adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in these consolidated financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New or amendments to HKFRSs not yet effective

The following are new or amendments to HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group has already commenced an assessment of the related impact to the Group of the above new or amendments that are relevant to the Group upon initial adoption. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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 described in the accounting policy for subsidiaries below.

Consolidation

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 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 interest having a deficit balance.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Basis of consolidation (continued)

Consolidation (continued)

Effective from 1 January 2021, the Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Non-controlling interests

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non- controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the equity holders of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Basis of consolidation (continued)

Disposal of subsidiary

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4.2 Joint arrangement

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be 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.

Investments in joint venture are accounted for using equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income included in the consolidated statement of comprehensive income. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.2 Joint arrangement (continued)

Investments in joint venture are accounted for using the equity method from the date on which the investees become joint venture. On acquisition of the investment in joint ventures, 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.

Unrealised gains and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group assesses whether there is an objective evidence that the investments in associates and joint ventures may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the policy described in Note 3.1(b).

2.4.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other(losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.3 Foreign currency translation (continued)

(c) Group entities

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the Group's entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4.4 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on Property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives as follows:

Buildings	12-30 years
Furniture, fixtures and equipment	2-10 years
Motor vehicles	3-10 years

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Property, plant and equipment (continued)

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 13).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within Property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 13).

2.4.5 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long- term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land and commercial buildings held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.5 Investment properties (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.5 Investment properties (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value changes in investment properties' in the consolidated statement of comprehensive income.

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as Property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.6 Impairment of non-financial assets

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

The recoverable amount of 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 ("**CGU**") 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 CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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 CGU to which they belong for the purpose of evaluating impairment of that CGU.

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 CGU) for which the estimates of future cash flows have not been adjusted.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.6 Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.4.7 Lease

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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. Non-lease components are separated from lease component on the basis of their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Lease (continued)

As a lessee (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The cost of right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of 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

- where applicable, an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the underlying the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, discounted to their present value under HKAS 37 "Provisions, contingent liabilities and contingent assets".

The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (see Note 14), and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from COVID-19-Related rent concessions in which the Group applied the practical expedient.

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Lease (continued)

As a lessee (continued)

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 the lease payments that are unpaid at that date.

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability right-of-use assets, and are recognised as expense in the accounting period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Lease (continued)

As a lessee (continued)

Incremental borrowing rate

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease modification

Except for COVID-19-Related rent concession in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discounted 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, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Lease (continued)

As a lessee (continued)

COVID-19-Related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

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

As a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non- lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

The Group did not have any finance lease which it acts as a lessor.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement 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.

Classification and subsequent measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") and FVPL.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

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 FVOCI:

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVPL, 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 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.

Financial assets are classified as FVPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of business combination to which HKFRS applies; (ii) held for trading; or (iii) it is designated at FVPL.

A financial asset is classified as held for trading if:

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

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

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("**ECL**") assessment.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Financial assets at amortised cost (continued)

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

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

Financial assets at FVPL

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

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets deposits and other receivables and bank balances). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises simplified approach and recorded lifetime ECLs for trade receivables and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

For all other instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in this likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, government bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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; and

- past due information.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(i) Significant increase in credit risk (continued)

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.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group considers a financial 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.

(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 trade receivable 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both quantitative and qualitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impaired which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group reassesses whether the financial assets measured at amortised cost are credit-impaired at each reporting date.

(iv) Write-off policy

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(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. As for the exposure at default, for financial assets, these are represented by the assets' gross carrying amount at the reporting date.

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.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade receivables, deposits and other receivables are each assessed as a separate group);
- past-due status; and
- external credit ratings where available.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gains or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies its financial liabilities at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are recognised as financial liability at the time the guarantee is issued, and are initially measured at their fair values, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies over the guarantee period.

The fair value of financial guarantee is determined based on the present value of the differences in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Derecognition of financial liabilities

The Group derecognises the 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.4.9 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.4.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.11 Borrowings and borrowing costs

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.11 Borrowings and borrowing costs (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre- payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.12 Properties under development and completed properties held for sale

Properties under development which are held for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease and capitalised depreciation of certain property, plant and equipment, and borrowing costs capitalised and aggregate cost of development, materials and supplies, wages, and other expenses ("**development costs**"). Properties under development are stated at the lower of cost and net realisable value. Other expenses included (a) those costs that are incurred in bringing the properties held under development to their present location and condition; and (b) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

On completion, the properties are transferred to properties held for sale. Cost is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

Properties held under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

2.4.13 Cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.4.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.14 Provisions and contingent liabilities (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision

2.4.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any entity of the Group purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.4.16 Equity-settled share-based payment transactions

The Group operates a share option scheme for remuneration of its employees (including the directors of the Company) and other eligible participants.

The employee services received in exchange for the grant of any share options are measured at their fair value and recognized as expenses. The total amounts to be expensed is determined by reference to the fair value of the options or shares granted:

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.16 Equity-settled share-based payment transactions (continued)

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

All services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in "Share-based payment reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share- based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.17 Employee benefits

(a) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.4.18 Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount the reflects the consideration to which the entity expects to be entitled in exchange for those services. 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 customers.

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:

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Revenue recognition (continued)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or 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.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Revenue recognition (continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. 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 Group applies the practical expedient of expensing incremental costs to obtain contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Financing components

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant.

Revenue is measured at the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales within the Group. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Revenue recognition (continued)

Financing components (continued)

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

For property development and sales contract for which the control of the property is transferred at a point in time and there is no enforceable right to payment from the customers for performance completed to date, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities as contract liabilities and are not recognised as revenue.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Revenue recognition (continued)

Financing components (continued)

(b) Property investment

Rental income from investment properties is recognised in profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(c) Property management

For revenue from the property management services is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

(d) Commercial operation

Revenues from commercial operations are recognised in the accounting period in which the related services are rendered.

(e) Other sources

Interest income from financial assets at FVPL is included in the 'Other (losses)/gains – net' on these assets.

Interest income on financial assets at amortised cost is recognised in the consolidated statement of comprehensive income within 'Other income', on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.19 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.19 Income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4.20 Dividend

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4.21 Fair value measurement

The Group measures its financial instruments at fair value at the end of reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 will use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.21 Fair value measurement (continued)

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

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

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

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

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

2.4.22 Related parties

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

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

(ii) has significant influence over the Group; or

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.22 Related parties (continued)

b) An entity is related to the Group if any of the following conditions apply:

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

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

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) The entity is controlled or jointly controlled by a person identified in (a);

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

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

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

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.23 Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. For assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A remeasurement loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative remeasurement loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are principally conducted in RMB. The Group has transactional currency exposures. Such exposures arise from financing and operating activities of the Group's entities conducted in currencies other than the functional currency. As at 31 December 2022, major non-RMB assets and liabilities are cash and cash equivalents and restricted cash, financial assets at FVPL, and bank and other borrowings, which are denominated in Hong Kong dollar ("**HK$**") or Unite States dollar ("**US$**"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's monetary assets/(liabilities) which are denominated in currencies other than the functional currencies of the respective Group's entities at the end of the reporting period are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Financial assets at FVPL		
– US$	–	215,956
Cash and cash equivalents and restricted cash		
– US$	**5,073**	24,831
– HK$	**54,281**	22,226
Bank and other borrowings		
– US$	**(4,162,139)**	(3,435,182)
– HK$	**(2,268,104)**	(1,899,226)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table demonstrates the effect of sensitivity to reasonably possible changes in US$ and HK$ exchange rates, with all other variables held constant, on the Group's loss after income tax in the next accounting period:

	2022		2021	
	Change in exchange rate	**Decrease/ (increase) in loss after income tax**	Change in exchange rate	Increase/ (decrease) in profit after income tax
	%	***RMB'000***	%	*RMB'000*
If US$ weakens against RMB	**4%**	**166,283**	4%	127,776
If US$ strengthens against RMB	**4%**	**(166,283)**	4%	(127,776)
If HK$ weakens against RMB	**4%**	**88,553**	4%	75,080
If HK$ strengthens against RMB	**4%**	**(88,553)**	4%	(75,080)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting dates and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

(ii) Cash flow and fair value interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from deposits at banks and bank and other borrowings which bore interests at fixed and floating interest rates. Bank and other borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's interest charges for the year by approximately RMB13,245,000 (2021: RMB14,192,000). The assumed changes have no impact on the Group's other components of equity.

The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period.

The calculation is based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis for the year ended 31 December 2021 has been prepared on the same basis.

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposits and other receivables, loans to/amounts due from related parties and non-controlling interests.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

The management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for available reasonable and supportive forward looking macroeconomic data. The loss allowance provision for the Group's financial assets as at the end of each reporting period:

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables

For the trade receivables arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit position of the customers could be established. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

In general, the Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty. The Group does not hold any collateral over the balances.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade receivables. The Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past five years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth and unemployment rate are to be the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Individual customers with significant balances are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the good repayment records for those customers with continuous partial settlement.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

Trade receivables	**Expected credit loss rate**	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
As at 31 December 2022			
Within 30 days	**0.1%**	**18,252**	**(18)**
Over 30 days and within 90 days	**2.0%**	**133**	**(3)**
Over 90 days and within 365 days	**5.0%**	**3,278**	**(164)**
Over 365 days	**10.0%**	**177,874**	**(17,795)**
		199,537	**(17,980)**
As at 31 December 2021			
Within 30 days	0.7%	27,140	(190)
Over 30 days and within 90 days	4.8%	4,404	(213)
Over 90 days and within 365 days	6.6%	8,121	(534)
Over 365 days	13.9%	185,125	(25,747)
		224,790	(26,684)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period. The Group made no write-off of trade receivables during the year ended 31 December 2022 (2021: Nil).

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously impaired are credited against the same line item.

The movement of allowance for impairment of trade receivables are separately disclosed in Notes 3.1(b)(iii) below.

(ii) Other financial assets at amortised cost

The deposits and other receivables are mainly loans to/amounts due from related parties and non-controlling interests, guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority, sale proceeds kept by a monitoring governmental authority and others.

For the deposits and other receivables other than balances with related parties and non-controlling interests, they are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. The Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition.

As at the reporting date, the deposits and receivables related to government authority are considered to be low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Related parties and non-controlling interests are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

Besides, the management also regularly reviews the recoverability of the rest of the receivables and follow up the disputes or amounts overdue, if any. As at the reporting date, the rest of balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity and within business operating cycle, hence the associated credit risk is minimal. In calculating the expected credit loss rates, other receivables have been grouped based on shared credit risk characteristics and the days past due and adjusts for forward looking macroeconomic data. The management considered that the identified impairment loss under expected credit loss model was immaterial.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables at the end of each reporting period:

Deposits and other receivables	**Expected credit loss rate** *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
As at 31 December 2022			
Amounts due from non- controlling interest	**11.5%**	**1,050,678**	**(120,973)**
Loan receivables	**41.9%**	**349,000**	**(146,129)**
Deposits and other receivables from other third parties	**3.0%**	**1,446,785**	**(42,937)**
		2,846,463	**(310,039)**
As at 31 December 2021			
Amounts due from non- controlling interest	0.4%	1,076,846	(3,945)
Loan receivables	10.0%	361,204	(36,120)
Deposits and other receivables from other third parties	1.5%	1,785,907	(27,572)
		3,223,957	(67,637)

The Group made no write-off of other receivables during the year ended 31 December 2022 (2021: Nil).

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash and cash equivalents and time deposits, since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management does not expect that there will be any significant losses from non-performance by these counterparties.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

Financial guarantee contracts

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre- sale deposits already received and the forward-looking information. Detailed disclosure of these guarantees is made in Note 32.

The directors of the Company considered that the loss allowances on financial guarantee contracts at 31 December 2022 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that have been sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties.

If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is mitigated.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(iii) The movement of loss allowance provision for trade receivables and other receivables from third parties as follows:

Year ended 31 December 2022	Trade receivables *RMB'000*	Loan receivables *RMB'000*	Deposits and other receivables *RMB'000*	Amounts due from non-controlling interest *RMB'000*	Total *RMB'000*
At 1 January 2021	28,805	12,204	7,618	2,607	51,234
(Reversal)/provision of impairment during the year	(2,121)	23,916	19,954	1,338	43,087
At 31 December 2021 and 1 January 2022	26,684	36,120	27,572	3,945	94,321
(Reversal)/provision of impairment during the year	**(8,704)**	**110,009**	**15,365**	**117,028**	**233,698**
At 31 December 2022	**17,980**	**146,129**	**42,937**	**120,973**	**328,019**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(iv) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL — not–credit impaired	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not-credit impaired	Lifetime ECL — not-credit impaired
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(v) The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount 2022** *RMB'000*	**Gross carrying amount** 2021 *RMB'000*
Financial assets at amortised cost:					
Trade receivables	*21*	Performing	Lifetime ECL (not credit-impaired)	**199,537**	224,790
Deposits and other receivables, excluding prepayments and goods and services tax receivables	*21*	Performing	12m ECL	**1,446,785**	1,785,907
		Underperforming	Lifetime ECL (not credit-impaired)	**1,050,678**	1,076,846
		Non-performing	Lifetime ECL (credit-impaired)	**349,000**	361,204
Term deposits	*23*	N/A	12m ECL	**12,000**	2,312,000
Restricted cash	*23*	N/A	12m ECL	**481,279**	567,579
Cash and cash equivalents	*23*	N/A	12m ECL	**83,644**	1,331,042

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Management of the Group aims to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

As detailed in Note 27 to the consolidated financial statements, all the bank and other borrowings were defaulted for repayments respectively as at 31 December 2022 and/or on the approval date of the consolidated financial statements. The directors of the Company closely monitor the cash flows of the Group and the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below analyses the non-derivative financial liabilities and lease liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within 1 year other than bank and other borrowings and lease liabilities, equal their carrying balances as impact from discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

		Total undiscounted cash flow						
	Note	Less than 3 months and on demand *RMB'000*	3 to 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2022								
Trade payables		**21,299**	**–**	**14,653**	**–**	**–**	**35,952**	**35,952**
Other payables, excluding accrued taxes and surcharges and salaries payable		**303,833**	**3,601,066**	**–**	**–**	**–**	**3,904,899**	**3,904,899**
Bank and other borrowings	*(i)*	**5,461,020**	**1,289,426**	**291,615**	**697,292**	**6,494,059**	**14,233,412**	**11,436,417**
Lease liabilities		**–**	**17,507**	**24,963**	**100,576**	**286,838**	**429,884**	**209,222**
Guarantee for property mortgage		**3,277,635**	**–**	**–**	**–**	**–**	**3,277,635**	**–**
		9,063,787	**4,907,999**	**331,231**	**797,868**	**6,780,897**	**21,881,782**	**15,586,490**
As at 31 December 2021								
Trade payables		29,478	–	13,797	–	–	43,275	43,275
Other payables, excluding accrued taxes and surcharges and salaries payable		397,656	4,474,357	–	–	–	4,872,013	4,872,013
Bank and other borrowings	*(i)*	2,594,388	5,034,495	1,925,038	3,176,447	6,614,872	19,345,240	11,475,807
Lease liabilities		–	17,507	24,963	75,251	312,163	429,884	189,861
Guarantee for property mortgage		3,805,704	–	–	–	–	3,805,704	–
		6,827,226	9,526,359	1,963,798	3,251,698	6,927,035	28,496,116	16,580,956

(i) Interest on bank and other borrowings is calculated on borrowings held as at 31 December 2022 (2021: Same). Floating-rate interest is estimated using the current interest rate as at 31 December 2022 (2021: Same).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

The Group has not recognised in these consolidated financial statements the corporate guarantees issued for the facilities issued as disclosed in Note 32. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if these amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 23) and less guarantee deposits for borrowings included in restricted cash (Note 23). Total borrowings comprise senior notes/bonds, bank and other borrowings (Note 27). Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at reporting date are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Total borrowings *(Note 27)*	**11,436,417**	11,475,807
Less: cash and cash equivalents *(Note 23)*	**(83,644)**	(1,331,042)
Less: guarantee deposits for borrowings *(Note 23)*	**(12,000)**	(2,312,000)
Net debt	**11,340,773**	7,832,765
Total equity	**1,707,111**	5,619,708
Total capital	**13,047,884**	13,452,473
Gearing ratio	**86.9%**	58.2%

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.3 Fair value estimation

(i) *Financial instruments not measured at fair value*

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(ii) *Financial instruments measured at fair value*

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

See Note 15 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value by level of the inputs to valuation techniques used to measure fair value:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2022				
Financial assets:				
Financial assets at FVPL *(Note 20)*	–	–	–	–
At 31 December 2021				
Financial assets:				
Financial assets at FVPL *(Note 20)*	–	**226,956**	–	**226,956**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.3 Fair value estimation (continued)

The fair value of financial assets at FVPL in level 2 were determined mainly based on valuation report provided by managing companies, which making reference to quoted market price.

As at 31 December 2022, changes in fair value of financial assets at FVPL would not have material impact to the Group's loss before income tax (2021: if the fair values of the financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax would have been approximately RMB22,696,000 higher/lower).

There were no transfers between the three Levels during the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

3.4 Summary of financial assets and financial liabilities by category

	2022	2021
	RMB'000	*RMB'000*
Financial assets		
At fair value		
– Financial assets at FVPL	–	226,956
At amortised cost		
– Trade receivables	**181,557**	198,106
– Deposits and other receivables	**2,536,424**	3,156,320
Restricted cash	**493,279**	2,879,579
Cash and cash equivalents	**83,644**	1,331,042
	3,294,904	7,565,047
Financial liabilities		
At amortised cost		
– Trade payables	**35,952**	43,275
– Accruals and other payables	**3,904,899**	4,872,013
– Lease liabilities	**209,222**	189,861
– Bank and other borrowings	**11,436,417**	11,475,807
	15,586,490	16,580,956

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the adoption of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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.

(a) Estimates for net realisable value of properties under development and properties held for sale

Properties held under development and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Provision is made when net realisable value of properties held for sale is assessed below the cost. Management determines the net realisable value by using prevailing market data such as most recent sale transactions, applicable variable selling expenses and cost to completion from gross development value assuming satisfactory completion. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

Based on management's best estimates, the impairment of properties under development and properties held for sale are disclosed in Notes 18 and Note 19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(b) Fair value of investment properties

Investment properties are stated at fair value as estimated by the management based on the valuation performed by an independent and professional qualified valuers. In determining the fair value, the valuer has based on a method of valuation which involves certain assumptions stated in Note 15. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market condition.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.4.5.

Management, after consulting independent qualified valuers, considers that the fair value of investment properties under construction as at 31 December 2022 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2022 were measured at fair value.

The fair value (losses)/gains from completed investment properties and investment properties under construction are disclosed in Note 15.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Estimates of current tax and deferred tax

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

(d) Loss allowance for trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rate is based on days past due for groupings of various customer segments that have similar loss patterns.

The provision rate is initially based on the Group's historical observed default rates. The Group will calibrate the rates to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Group's trade receivable are disclosed in Notes 3.1(b) and 21.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(e) Loss allowance for loan and other receivables (including the amounts due from related parties and non-controlling interests)

In determining the ECLs, the management has taken into account the historical default experience and the financial positions of the debtors, adjusted for factors that are specific to the debtor and general economic conditions of the industry in which the related companies and non-controlling interests operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan and other receivables.

The information about the ECLs on the Group's loan and other receivables are disclosed in Notes 3.1(b) and 21.

(f) Impairment of investments in subsidiaries

The Company follow the guidance of HKAS 36 in determining whether an investment in subsidiaries are impaired. This determination requires significant judgement which involves estimation uncertainty. The Company evaluates, among other factors, the extent to which the recoverable amount of an investment is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amount of investment in subsidiaries, at the end of the financial year is disclosed in Note 42.

(g) Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in Note 5. The assessment of when an entity has transferred the control for promised goods to customer requires examination of the circumstances of the transaction. In most cases, the transfer of control for promised goods coincides with the transfer of the legal title or the passing of possession to the buyer or when a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in Note 2.4 is appropriate and is the current practice in the PRC.

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

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

5. SEGMENT REPORTING

The executive directors, as the chief operating decision-makers ("**CODM**") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and commercial operation. Revenue consists of sales of properties, income of property management services, rental income of investment properties and commercial operation. Revenue of the year consists of the following:

	2022	2021
	RMB'000	*RMB'000*
Sale of properties	**1,949,149**	7,484,208
Property management services	**95,258**	148,826
Rental income	**23,174**	25,546
Commercial operation	**2,408**	4,296
	2,069,989	7,662,876

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit earned by each segment without fair value losses on financial assets, re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale, impairment loss on financial assets, impairment loss on properties under development and properties held for sale, share of losses of associate and joint venture, loss on partial disposal of subsidiary, interest income and dividend income of financial assets, unallocated corporate net expenses, finance (costs)/income – net and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Commercial operation services are mainly operations in youth community projects. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

5. SEGMENT REPORTING (continued)

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

- All assets are allocated to operating segments other than interests in a joint venture and an associate, financial assets at FVPL, cash and cash equivalents, deferred tax assets and certain unallocated corporate assets.
- All liabilities are allocated to operating segments other than income tax payable, deferred tax liabilities and certain unallocated corporate liabilities.

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2022						
Segment revenue						
External revenue	1,949,149	95,258	23,174	2,408	–	2,069,989
Inter-segment revenue	–	14,373	8,911	4,200	(27,484)	–
	1,949,149	109,631	32,085	6,608	(27,484)	2,069,989
Timing of revenue recognition						
At a point in time	1,949,149	–	–	–	–	1,949,149
Transferred over time	–	109,631	–	6,608	(18,573)	97,666
Revenue from other sources	–	–	32,085	–	(8,911)	23,174
Total	1,949,149	109,631	32,085	6,608	(27,484)	2,069,989
Segment results	(623,391)	(28,229)	(1,953)	(103)	–	(653,676)
Reconciliation:						
Unallocated corporate net expenses						(130,265)
						(783,941)
Impairment loss of trade receivables, deposits and other receivables						(116,670)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale	(12,093)	–	–	–	–	(12,093)
Impairment loss on amount due from non-controlling interest						(117,028)
Impairment loss of properties under development and properties held for sale	(1,169,096)	–	–	–	–	(1,169,096)
Fair value changes in investment properties	–	–	(204,447)	–	–	(204,447)
Fair value loss on financial assets of FVPL						(249,219)
Share of loss of a joint venture, net of tax						(3,988)
Share of loss of an associate, net of tax						(641)
Impairment loss of interest in a joint venture						(20,161)
Loss on partial disposal of a subsidiary						(77,361)
Finance costs – net						(1,089,734)
Consolidated loss before income tax						(3,844,379)

5. SEGMENT REPORTING (continued)

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Other segment information:						
Depreciation and amortisation	**(31,083)**	**(283)**	**2,938**	**(1)**	**–**	**(28,429)**
Additions to properties under development	**1,094,277**	**–**	**–**	**–**	**–**	**1,094,277**
Capital expenditure						**507**
As at 31 December 2022						
Assets and liabilities						
Assets						
Reportable segment assets	**20,520,931**	**80,665**	**3,094,908**	**3,452**	**–**	**23,699,956**
Reconciliation:						
Interest in a joint venture						**20,162**
Deferred tax assets						**526,251**
Cash and cash equivalents						**83,644**
Unallocated corporate assets						
– Property, plant and equipment						**75,968**
– Other receivables and prepayments						**202,871**
– Restricted cash						**493,279**
– Other corporate assets						**863,080**
Consolidated total assets						**25,965,211**
Liabilities						
Reportable segment liabilities	**14,601,048**	**179,458**	**522,942**	**3,652**	**–**	**15,307,100**
Reconciliation:						
Deferred tax liabilities						**367,229**
Income tax payable						**1,620,398**
Lease liabilities						**209,222**
Unallocated corporate liabilities						
– Bank and other borrowings						**6,552,839**
– Other corporate liabilities						**201,312**
Consolidated total liabilities						**24,258,100**

5. SEGMENT REPORTING (continued)

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2021						
Segment revenue						
External revenue	7,484,208	148,826	25,546	4,296	–	7,662,876
Inter-segment revenue	–	110,221	12,077	93,315	(215,613)	–
	7,484,208	259,047	37,623	97,611	(215,613)	7,662,876
Timing of revenue recognition						
At a point in time	7,484,208	–	–	–	–	7,484,208
Transferred over time	–	259,047	–	97,611	(203,536)	153,122
Revenue from other sources	–	–	37,623	–	(12,077)	25,546
Total	7,484,208	259,047	37,623	97,611	(215,613)	7,662,876
Segment results	1,172,707	22,885	8,416	747	–	1,204,755
Reconciliation:						
Unallocated corporate net expenses						(229,609)
						975,146
Impairment loss of trade receivables, deposits and other receivables						(41,749)
Impairment loss of properties under development and properties held for sale	(90,038)	–	–	–	–	(90,038)
Impairment loss on amount due from non-controlling interest	(1,338)	–	–	–	–	(1,338)
Fair value changes in investment properties	–	–	(5,335)	–	–	(5,335)
Interest income from financial assets at FVPL						26,787
Fair value changes of financial assets at FVPL						(271,383)
Share of profit of a joint venture, net of tax						414
Finance income – net						90,943
Consolidated profit before income tax						683,447

5. SEGMENT REPORTING (continued)

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Other segment information:						
Depreciation and amortisation	(24,702)	(393)	(6,946)	(6)	–	(32,047)
Additions to properties under development	5,650,653	–	–	–	–	5,650,653
Capital expenditure						121,795
As at 31 December 2021						
Assets and liabilities						
Assets						
Reportable segment assets	20,944,787	49,881	4,334,950	17,235	–	25,346,853
Reconciliation:						
Interest in a joint venture						44,311
Financial assets at FVPL						226,956
Deferred tax assets						286,170
Cash and cash equivalents						1,331,042
Unallocated corporate assets						
– Property, plant and equipment						413,992
– Other receivables and prepayments						361,204
– Restricted cash						2,449,555
– Other corporate assets						316,388
Consolidated total assets						30,776,471
Liabilities						
Reportable segment liabilities	17,200,687	91,063	505,334	4,541	–	17,801,625
Reconciliation:						
Deferred tax liabilities						429,635
Income tax payable						1,668,682
Unallocated corporate liabilities						
– Bank and other borrowings						5,157,142
– Other corporate liabilities						99,679
Consolidated total liabilities						25,156,763

Geographical information

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Information about major customers

The Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: Same).

6. OTHER GAINS/(LOSSES) – NET

	2022 *RMB'000*	2021 *RMB'000*
Interest income from financial assets at FVPL	–	26,787
Others	**13,008**	(37,966)
	13,008	(11,179)

7. FINANCE (COSTS)/INCOME – NET

	2022 *RMB'000*	2021 *RMB'000*
Interest expense for bank and other borrowings	**(1,211,290)**	(1,064,650)
Interest on lease liabilities *(Note 14)*	**(19,361)**	(18,336)
Add: amount capitalised	**472,505**	1,060,179
	(758,146)	(22,807)
Default interest	**(26,090)**	–
	(784,236)	(22,807)
Foreign exchange (loss)/gain on financing activities – net	**(323,661)**	97,847
	(1,107,897)	75,040
Finance income:		
Bank interest income	**18,163**	15,903
Finance (costs)/income – net	**(1,089,734)**	90,943

Note:

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 12.3% (2021: 12.0%), which is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

8. EXPENSES BY NATURE

	2022 RMB'000	2021 RMB'000
Cost of properties sold – including construction cost, land cost and capitalised interest expenses	**2,191,167**	5,818,020
Staff costs (including directors' emoluments) *(Note 9)*	**170,737**	232,601
Advertising costs	**53,372**	261,458
Taxes and levies	**23,267**	55,422
Other direct costs	**58,899**	89,747
Depreciation and amortisation *(Note 13 and Note 14)*	**28,429**	32,047
Auditor's remunerations	**2,600**	4,920
– audit services	**2,600**	4,870
– non-audit services	**–**	50
Short-term lease payments *(Note 14(b))*	**2,226**	2,267

9. STAFF COSTS

	Notes	2022 RMB'000	2021 RMB'000
Staff costs (including directors' emoluments) comprise:			
Basic salaries		**162,952**	216,422
Equity-settled share-based payment expenses	*33, 34*	**225**	6,640
Bonuses and other benefits		**36,060**	29,033
Contributions to defined contribution pension plans	*(a)*	**8,143**	18,599
		207,380	270,694
Less: Amount capitalised as properties under development		**(36,643)**	(38,093)
Staff costs charged to profit or loss		**170,737**	232,601

9. STAFF COSTS (continued)

(a) Defined contribution pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of certain percentage of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group during the year, three (2021: three) are directors whose emoluments are included in Note 39. The emoluments of the remaining two (2021: two) are as follows:

	2022	2021
	RMB'000	*RMB'000*
Basic salaries and other benefits	**3,189**	3,747
Equity-settled share-based payment expenses	**–**	601
Contributions to defined contribution pension plans	**99**	157
	3,288	4,505

Their emoluments are within the following bands:

	Number of individuals	
	2022	2021
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	2

10. INCOME TAX CREDIT/EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2022	2021
	RMB'000	*RMB'000*
PRC corporate income tax	**6,244**	595,825
PRC land appreciation tax	**45,293**	187,877
	51,537	783,702
Deferred tax		
– PRC corporate income tax *(Note 28)*	**(301,227)**	(209,723)
	(301,227)	(209,723)
Total income tax (credit)/expense	**(249,690)**	573,979

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group's entities located in Mainland China is 25%.

PRC withholding income tax ("WHT")

Under the Enterprise Income Tax ("**EIT**") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

10. INCOME TAX CREDIT/EXPENSE (continued)

Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group's entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

The income tax expense for the year can be reconciled to the (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(3,844,379)**	683,447
Calculated at applicable PRC corporate income tax rate of 25%	**(961,095)**	170,862
Effect of difference in tax rate	**305,523**	201,103
Tax effect of tax losses not recognised as deferred income tax asset	**366,194**	34,229
Tax effect of expenses not deductible for tax purposes	**5,718**	20,162
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(11,323)**	(46,969)
	(294,983)	379,387
PRC withholding income tax	**–**	6,715
PRC land appreciation tax	**45,293**	187,877
	(249,690)	573,979

11. LOSS PER SHARE

The calculation of basic loss per share amounts for the year ended 31 December 2022 is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issued and participating equity instruments resulting to new shares issued due to the exercises of share options during the year (2021: same).

The calculation of the diluted loss per share amounts for the year ended 31 December 2022 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share option and share award scheme (2021: same). As the Group incurred loss attributable to owners of the Company for the year ended 31 December 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive (2021: same).

	2022	2021
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss earnings per share	**(3,491,272)**	(284,209)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**8,446,331**	8,099,032
Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme	**–**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**8,446,331**	8,099,032
Basic (expressed in RMB)	**(0.414)**	(0.035)
Diluted (expressed in RMB)	**(0.414)**	(0.035)

12. DIVIDENDS

No dividend paid during the year ended 31 December 2022. The dividend paid during the year ended 31 December 2021 in was the payment of the 2020 final cash dividend of HK$0.030 per ordinary share totaling approximately HK$253,390,000 (equivalent to approximately RMB210,824,000)).

No dividend for the year ended 31 December 2022 (2021: Nil) has been proposed by the directors of the Company.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022					
Opening net book amount	**115,171**	**7,026**	**4,043**	**412,340**	**538,580**
Additions	**–**	**488**	**19**	**–**	**507**
Partial disposal of a subsidiary *(Note 31)*	**–**	**(8)**	**–**	**(399,615)**	**(399,623)**
Disposals	**–**	**(72)**	**–**	**(12,725)**	**(12,797)**
Depreciation *(Note 8)*	**(14,386)**	**(2,103)**	**(781)**	**–**	**(17,270)**
Impairment	**(1,669)**	**–**	**–**	**–**	**(1,669)**
Exchange differences	**4,605**	**(448)**	**210**	**–**	**4,367**
Closing net book amount	**103,721**	**4,883**	**3,491**	**–**	**112,095**
At 31 December 2022					
Cost	**214,851**	**29,228**	**17,994**	**–**	**262,073**
Accumulated depreciation	**(109,461)**	**(24,345)**	**(14,503)**	**–**	**(148,309)**
Accumulated impairment	**(1,669)**	**–**	**–**	**–**	**(1,669)**
Net book amount	**103,721**	**4,883**	**3,491**	**–**	**112,095**
Year ended 31 December 2021					
Opening net book amount	130,152	7,755	3,470	294,363	435,740
Additions	–	2,021	1,797	117,977	121,795
Depreciation *(Note 8)*	(14,579)	(2,359)	(899)	–	(17,837)
Exchange differences	(402)	(391)	(325)	–	(1,118)
Closing net book amount	115,171	7,026	4,043	412,340	538,580
At 31 December 2021					
Cost	203,901	31,736	14,674	412,340	662,651
Accumulated depreciation	(88,730)	(24,710)	(10,631)	–	(124,071)
Net book amount	115,171	7,026	4,043	412,340	538,580

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charges were included in the following categories:

	2022	2021
	RMB'000	*RMB'000*
Property under development	**3**	21
Administrative and other expenses	**17,267**	17,816
	17,270	17,837

As at 31 December 2022, property, plant and equipment with a net book amount of RMB75,968,000 (2021: RMB82,161,000) were pledged as collateral for the Group's borrowings (Note 27(h)).

No borrowing costs have been capitalised in assets under construction for the year ended 31 December 2022 (2021: borrowing costs of approximately RMB33,988,000 have been capitalised in assets under construction).

14. LEASES

	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
At 1 January	**362,425**	376,656
Partial disposal of a subsidiary *(Note 31)*	**(135,179)**	–
Depreciation *(Note 8)*	**(11,159)**	(14,231)
At 31 December	**216,087**	362,425

Right-of-use assets comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for self-use buildings over fixed periods and the premium paid for acquisition of land use right related to self-use buildings.

As at 31 December 2022, right-of-use asset with a net book amount of approximately RMB84,227,000 (2021: RMB87,183,000) were pledged as collateral for the Group's borrowings (Note 27(h)).

14. LEASES (continued)

(a) Amounts recognised in the consolidated statement of financial position

	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Land	**92,049**	230,635
Building	**124,038**	131,790
	216,087	362,425
Lease liabilities		
Current	**17,507**	17,507
Non-current	**191,715**	172,354
	209,222	189,861

(b) Amounts recognised in the consolidated statement of comprehensive income

	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land	**3,407**	6,479
Building	**7,752**	7,752
	11,159	14,231
Interest expense (included in finance costs) *(Note 7)*	**19,361**	18,336
Expense relating to short-term leases (included in administrative expenses) *(Note 8)*	**2,226**	2,267
	32,746	34,834

15. INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Year ended 31 December 2022			
At 1 January 2022	**2,350,458**	**1,308,000**	**3,658,458**
Transfer to properties held for sale *(Note 19)*	**(445,000)**	**–**	**(445,000)**
Fair value losses – net	**(198,447)**	**(6,000)**	**(204,447)**
Exchange differences	**10,123**	**–**	**10,123**
At 31 December 2022	**1,717,134**	**1,302,000**	**3,019,134**
Year ended 31 December 2021			
At 1 January 2021	1,681,405	1,903,000	3,584,405
Additions	–	82,588	82,588
Transfer on completion of construction	672,588	(672,588)	–
Fair value losses – net	(335)	(5,000)	(5,335)
Exchange differences	(3,200)	–	(3,200)
At 31 December 2021	2,350,458	1,308,000	3,658,458

The following amounts have been recognised in the consolidated statement of comprehensive income:

	2022 *RMB'000*	2021 *RMB'000*
Rental income *(Note 5)*	**23,174**	25,546
Direct operating expenses arising from investment properties that generate rental income	**(5,113)**	(5,514)
Direct operating expenses arising from investment properties that do not generate rental income	**(568)**	(624)

Investment properties as at 31 December 2022 are held in the PRC on leases between 10 to 50 years (2021: 10 to 50 years).

15. INVESTMENT PROPERTIES (continued)

As at 31 December 2022, investment properties of approximately RMB1,664,370,000 (2021: RMB2,972,458,000) were pledged as collateral for the Group's borrowings (Note 27(h)).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

Independent valuations of the Group's completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuers, to determine the fair value of the investment properties as at 31 December 2022 (2021: Same). The revaluation gains or losses are included in "Fair value changes in investment properties" in the consolidated statement of comprehensive income.

As at 31 December 2022, as certain significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (2021: Same).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2022 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use (2021: Same).

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

15. INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks.

For commercial properties, fair values are generally derived using the term and reversionary method and direct comparison method. The term and reversionary method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

15. INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2022 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties in Hong Kong	Commercial properties	98,034 (2021: 111,458)	Direct comparison method	Market Unit Price (RMB/square meter)	210,742 – 292,428 (2021: 238,504 – 256,339)	The higher the unit price, the higher the fair value
Completed Investment properties in PRC	Commercial properties	1,133,100 (2021: 1,701,000)	Term and reversionary method	Term yields	3.50% - 4.00% (2021: 2.00% – 4.50%)	The higher the term yields rate, the lower the fair value
				Reversionary yields	3.50% – 4.00% (2021: 3.00% - 4.50%)	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/ square meter/ month)	30 – 215 (2021: 31 – 262)	The higher the market rent, the higher the fair value
			Direct comparison method	Market price (RMB/ square meter)	18,662 – 33,712 (2021: 18,271 – 58,544)	The higher the market price, the higher the fair value
	Car parks	486,000 (2021: 538,000)	Direct comparison method	Market price (RMB/lot)	662,500 (2021: 727,500)	The higher the market price, the higher the fair value
			Term and reversionary method	Term yields	1.00% (2021: 1.00%)	The higher the term yields, the lower the fair value
				Reversionary yields	1.50% (2021: 1.50%)	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/ lot/month)	1,676 (2021: 1,820)	The higher the market rent, the higher the fair value

15. INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2022 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction in PRC	Commercial properties	1,302,000 (2021: 1,308,000)	Residual method	Market rents (RMB/ square meter/ month)	65 (2021: 65)	The higher the market rent, the higher the fair value
				Reversionary yields	3.25%-3.75% (2021: 3.5%)	The higher the reversionary yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/ square meter)	4,291 (2021: 4,291)	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	17.50% (2021: 25%)	The higher the developer's profit, the lower the fair value

16. INTEREST IN A JOINT VENTURE

During the year ended 31 December 2019, the Group as a lender, entered into a loan agreement with an independent third party as a borrower (the "**Borrower**" defined in below), pursuant to which the Group agreed to provide the loan of approximately RMB349,000,000 which was interest-bearing at fixed rate of 15% per annum, payable at semi-annually. Details of the loan facility was set out in Note 21(c).

The Borrower is a company incorporated with limited liability in the PRC which is principally engaged in property development in the PRC.

In 2019, the Group entered into a sale and purchase agreement, pursuant to which, the Group acquired 51% equity interest of Guiyang Haiyang Property Development Company Limited (the "**Guiyang Haiyang**") which held on property development project in the PRC at a consideration of approximately RMB51,000,000. Guiyang Haiyang is a company incorporated with limited liability in the PRC principally engaged in property development business in the PRC. Upon completion of the acquisition, Guiyang Haiyang is 51% owned by the Group, and 49% owned by three companies (the "**JV Partners**").

16. INTEREST IN A JOINT VENTURE (continued)

In the opinion of the directors of the Company, the JV Partners were ultimately controlled by an individual who has beneficial interest in the Borrower.

In 2019, taking into accounts the financial background and repayment ability of the Borrower and JV Partners and the potential income expected to be generated from its property development project, the directors of the Company considered the acquisition is beneficial to the Group by having extra return from the investment and also accounted for as a credit enhancement of the loan facility granted to the Borrower.

According to the Articles of Association of Guiyang Haiyang, all significant and relevant matters of the entity require approval by two-thirds of shareholders' votes such that the Group is unable to control the relevant activities of Guiyang Haiyang, and Guiyang Haiyang is therefore accounted for as a joint venture of the Group, which is accounted for using equity method, amounts recognised as below:

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**44,311**	43,897
Share of (loss)/profit – net	**(3,988)**	414
Less: Impairment	**(20,161)**	–
At 31 December	**20,162**	44,311

There is no contingent liabilities nor commitment relating to the Group's interests in the joint venture.

Details of Guiyang Haiyang as at 31 December, is as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of registered and paid up capital	Percentage of equity interest indirectly held by the Company 2022	2021	Principal activities
貴陽海洋房地產開發有限公司 (i) (Guiyang Haiyang Property Development Company Limited)*	PRC	RMB100,000,000	**50%**	51%	Property development in the PRC

* *English name is for identification purpose only*

With the negative impact of property development markets during the past years, the financial performance and financial position of Guiyang Haiyang was worsening and it was subject to certain litigation claims (as disclosed in Note 21(c)), the directors of the Company determined the recoverable amount of investment in Guiyang Haiyang for impairment test purposes. The recoverable amount of the investment in Guiyang Haiyang has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management. The impairment loss of approximately RMB20,161,000 (2021: Nil) were recognised in profit or loss for the year accordingly.

16. INTEREST IN A JOINT VENTURE (continued)

(i) Guiyang Haiyang

	2022 *RMB'000*	2021 *RMB'000*
At 31 December		
Non-current assets	**36**	347
Cash and cash equivalents	**2,123**	2,123
Properties under development	**1,038,319**	1,097,292
Other current assets	**84,661**	92,705
Total assets	**1,125,139**	1,192,467
Non-current liabilities	**132,718**	132,718
Bank borrowings	**8,650**	8,650
Other current liabilities	**904,707**	964,215
Total liabilities	**1,046,075**	1,105,583
Net assets	**79,064**	86,884
Share of net assets	**40,323**	44,311
Impairment	**(20,161)**	–
Net interest in a joint venture	**20,162**	44,311
Year ended 31 December		
Revenue	**66,881**	266,513
Cost of sales	**(65,774)**	(261,047)
Gross profit	**1,107**	5,466
Expenses	**(7,319)**	(4,386)
Others	**(1,608)**	(269)
(Loss)/profit for the year	**(7,820)**	811
Total comprehensive (loss)/income for the year	**(7,820)**	811
Share of (loss)/profit	**(3,988)**	414

17. INTEREST IN AN ASSOCIATE

Following the partial disposal that results in the Group losing control over Mingan Hospital (defined in below) set out in Note 31, the remaining equity interests held by the Group is recognised as interest in an associate which is accounted for using equity method.

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**–**	–
Addition *(Note 31)*	**90,000**	–
Share of loss – net	**(641)**	–
At 31 December	**89,359**	–

There were no contingent liabilities nor commitment relating to the Group's interest in the associate.

Details of Mingan Hospital as at 31 December, is as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of registered and paid up capital	Percentage of equity interest indirectly held by the Company 2022	2021	Principal activities
南寧市明安醫院管理有限公司 (Nanning Mingan Hospital Management Company Limited)*	PRC	RMB450,000,000	**20%**	70% *(note 31)*	Hospital operation in the PRC

* *English name is for identification purpose only*

17. INTEREST IN AN ASSOCIATE (continued)

The summarised financial information in respect of Mingan Hospital represents amounts shown in its financial statements adjusted by the Group to conform with HKFRSs for equity accounting purposes.

	RMB'000
At 31 December 2022	
Non-current assets	**433,644**
Current assets	**14,685**
Current liabilities	**(1,532)**
Net assets	**446,797**
Group's share of net assets	**89,359**
Period from 25 June 2022 to 31 December 2022	
Revenue	–
Loss and total comprehensive loss for the period attribute to the owner of the associate	**(3,205)**
Group's share of loss of an associate	**(641)**

18. PROPERTIES UNDER DEVELOPMENT

Properties under development in the PRC are as follows:

	2022	2021
	RMB'000	*RMB'000*
Properties under development include:		
– Land use rights	**6,768,497**	7,057,396
– Construction costs	**4,514,659**	5,909,399
– Interests capitalised	**1,744,432**	1,392,837
	13,027,588	14,359,632
Less: loss allowance	**(1,186,695)**	(87,406)
	11,840,893	14,272,226

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2022, a provision of approximately RMB1,186,695,000 (2021: RMB87,406,000) was made to write down the properties under development.

The Group assessed the recoverable amounts of properties under development. As a result, the carrying amount of the properties under development was written down to their recoverable amount of approximately RMB11,840,893,000 as at 31 December 2022 (2021: RMB14,272,226,000). An impairment loss of RMB1,099,289,000 (2021: RMB87,406,000) was recognised in the consolidated statement of comprehensive income. The estimates of recoverable amount were based on the fair values of completed projects less estimated costs to complete the projects less costs of disposal determined by Cushman & Wakefield International Property Advisers (Guangzhou) Limited ("**Cushman & Wakefield**"), an independent firm of professional valuers, using market comparison approach by reference to recent sales price of similar properties with the same location, adjusted for differences such as remaining useful lives.

As at 31 December 2022, properties under development of approximately RMB9,091,193,000 (2021: RMB10,458,231,000) were pledged as collateral for the Group's borrowings (Note 27(h)).

As at 31 December 2022, properties under development amounting to RMB2,237,384,000 was expected to be completed and delivered beyond one year (2021: RMB2,562,855,000).

18. PROPERTIES UNDER DEVELOPMENT (continued)

Provision for Breach of Measures on Management of Idle Land

According to the regulation relating to the "Measures on Management of Idle Land" promulgated and implemented by the PRC government on 1 June 2003, a parcel of land can be defined as idle land if the construction work did not commence after a granted period of construction as stated in the "Approval for the Use of Construction Land" elapsed. Developers would be charged a fee of maximum 20 per cent of the purchase price or the undeveloped sites would be forfeited by the government without compensation.

The directors of the Company acknowledged that the Group has failed to commence its development construction works at its land site ("**Land Sites**") of 4 property development projects located in Xuzhou, Zhuhai, Chongqing and Guilin for a range of 3 to 30 months after the development milestone as set out in the respective land acquisition contract, such failure may possibly make the Land Sites becoming an idle land which will lead to an idle land surcharge imposed on the Group.

The Group has already made submission together with the initial proposal ("**Idle Land Proposal**") applying for an extension of time on certain development milestones for its property development of the Land Sites contained in the Land Acquisition Contract on the ground that such delay in meeting the milestone has been due to many reasons beyond its control. As at 31 December 2022, the Group has been given by Xuzhou and Zhuhai Bureaus of Natural Resources and Planning (collectively, the "**Relevant Bureaus**") the supplemental agreements on the Idle Land Proposal, under which the Relevant Bureaus shall exonerate the Group from all liabilities arising from its failure to meet the original development milestones of the Land Acquisition Contract, and the Group shall agree to meet the extended development milestones by signing and returning the supplemental agreements to the Relevant Bureaus. Per the supplemental agreements, the deadline for the Group to commence its development construction works at Land Sites in Xuzhou, Zhuhai are 20 September 2023, 2 January 2023 respectively.

In respect of the Land Sites in Guilin and Chongqing (which was included in the assets held for sales set out in Note 24), the Idle Land Proposal was submitted to address the idle land issue by the Group. Up to the date of this report, no official or formal approval was obtained from the Relevant Bureaus.

The directors of the Company, after taking the legal advice into consideration, were of the view that it is unlikely that the Land Sites in Guilin and Chongqing would be forfeited by government and the Group is not likely to be required to make compensation for such non-compliance. No provision for compensation of Idle Land Proposal has been made.

19. PROPERTIES HELD FOR SALE

	2022	2021
	RMB'000	*RMB'000*
Properties held for sale	**2,542,246**	1,695,137
Less: loss allowance	**(72,439)**	(2,632)
	2,469,807	1,692,505

All properties held for sale were located in the PRC.

As at 31 December 2022, a provision of RMB72,439,000 (2021: RMB2,632,000) was made to write down the properties held for sale.

In view of the deteriorating leasing market, the Group decided to resell one of its investment properties, representing a commercial building located in the PRC which originally served for leasing purpose. During the year ended 31 December 2022, the Group transferred the aforesaid property with the fair value of approximately RMB445,000,000 from investment properties (Note 15) to the properties held for sale, the loss on change in fair value of investment properties of approximately RMB87,000,000 recognised upon the transfer and the deemed cost of such property held for sales would be the fair value at the date of change in use.

The Group assessed the recoverable amounts of properties held for sale. As a result, the carrying amount of the properties held for sale was written down to their recoverable amount of RMB2,469,807,000. An impairment loss of RMB69,807,000 (2021: RMB2,632,000) was recognised in the consolidated statement of comprehensive income. The estimates of recoverable amount were based on the fair values of properties held for sale less costs of disposal determined by Cushman & Wakefield, an independent firm of professional valuers, using market comparison approach by reference to recent sales price of similar properties with the same location, adjusted for differences such as remaining useful lives.

As at 31 December 2022, properties held for sale of approximately RMB937,941,000 (2021: RMB567,738,000) were pledged as collateral for the Group's borrowings (Note 27(h)).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Financial assets at FVPL, investment funds		
At 1 January	**226,956**	774,220
Disposals	**–**	(254,449)
Fair value changes	**(249,219)**	(271,383)
Exchange differences	**22,263**	(21,432)
At 31 December	**–**	226,956
Includes unrealised loss recognised in profit or loss attributable to balances held at the end of the year	**(249,219)**	(264,795)

The investments mainly represent investments in various funds managed by HK fund managing companies. Save for certain investment funds which were under voluntarily liquidation and winding up under the Limited Partnership Fund Ordinance which is written down to nil during the year, the fair values of these investments at the reporting date were estimated by the management of the Company by reference to the latest performance report provided by the fund manager, which is mainly prepared based on the available market price. The fair value measurement is categorised within level 2 of the fair value hierarchy (Note 3.3).

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2022 RMB'000	2021 RMB'000
Trade receivables			
Trade receivables, gross		**199,537**	224,790
Less: loss allowance		**(17,980)**	(26,684)
	(a)	**181,557**	198,106
Other receivables, deposits:			
Amounts due from non-controlling interests, gross		**1,050,678**	1,076,846
Less: Loss allowance		**(120,973)**	(3,945)
	(b)	**929,705**	1,072,901
Loan to the Borrower (Note 16), gross		**349,000**	361,204
Less: Loss allowance		**(146,129)**	(36,120)
	(c)	**202,871**	325,084
Guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority	*(d)*	**735,273**	596,850
Sale proceeds kept by a monitoring governmental authority	*(e)*	**411,859**	574,901
Maintenance funds paid on behalf of properties owners		**56,684**	64,022
Tender deposit in development project		**45,510**	45,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary		**24,900**	24,900
Wage deposit for migrant workers		**34,159**	40,817
Others	*(f)*	**138,400**	438,907
		1,446,785	1,785,907
Less: Loss allowance		**(42,937)**	(27,572)
		1,403,848	1,758,335
		2,536,424	3,156,320
Prepayments:			
Prepaid construction costs		**1,030,997**	1,025,126
Prepaid taxes and surcharges	*(g)*	**994,648**	417,112
Prepayment for proposed projects	*(h)*	**543,428**	389,213
		2,569,073	1,831,451
Total		**5,105,497**	4,987,771

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes:

(a) The majority of the Group's sales are derived from sales of properties, property management services and rental income. Proceeds in respect of sales of properties, property management services and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts. All trade receivables are due from independent third parties.

The ageing analysis of trade receivables as at the respective balance sheet date, based on invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**18,252**	27,140
Over 30 days and within 90 days	**133**	4,404
Over 90 days and within 365 days	**3,278**	8,121
Over 365 days	**177,874**	185,125
	199,537	224,790

As at 31 December 2022, the fair value of trade receivables approximated their carrying amounts (2021: same). Note 3.1(b)(i) provides details about the exposure to credit risk of trade receivables.

(b) Amounts due from non-controlling interests represent cash advances made to non-controlling interests, which were unsecured, interest free and had no fixed repayment terms. The Group received pre-sales proceeds from property projects and estimated the profit from the projects in respect of the amount received. The estimated profit attributable to the non-controlling interests is then advance to non-controlling shareholders.

During the year ended 31 December 2022, the financial performance of the non-controlling interest parties deteriorated and the Group reassessed the credit risk of the non-controlling interest parties, a significant increase in loss allowance was provided due to significant increase in default rate of non-controlling parties. Note 3.1(b)(ii) provides details about the exposure to credit risk of amounts due from non-controlling interests.

(c) Note 3.1(b)(ii) provides details about the exposure to credit risk of loan to the Borrower.

As disclosed in Note 16, the loan facility granted to the Borrower was all used to settle the Borrower's own outstanding debt from the independent third party. The loan was guaranteed by the property project of the Borrower, a shareholder of the Borrower, a former director of the Borrower and a director of one of the JV partners. Meanwhile, the Borrower appointed the Group as an agent to manage the property development and selling affairs for the property development project of Borrower (the "**Project**"). In return, the Borrower was required to pay the management fee to the Group for RMB50,000,000 for first year and the amount of 8% of the contract sales for subsequent years. 50% of the net sales proceeds (after deducting the management fee, construction cost payables and daily operating expense relevant to the Project) would be used to repay the loan facility granted by the Group.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes: (continued)

(c) (continued)

As a condition to the arrangement above, certain directors and legal representative of the Borrower were re-designated by the Group and the operating and financing affairs of the Borrower would be under the supervision of both the Group and the Borrower.

Up to 31 December 2022, the Borrower had the outstanding principal of approximately RMB349,000,000 in aggregate. The management fee of approximately RMB50,000,000 has not been recognised as the directors of the Company estimate that the amount was not expected to be collected from the Borrower.

During the year ended 31 December 2022, the Group was undergoing a series of negotiation with Borrower without any solution regarding the repayment schedule. Moreover, it was noted that the Borrower was subject to certain litigation claims. The Group had also initiated legal proceeding against the Borrower for the outstanding principal thereon of approximately RMB349,000,000 and interest accrued.

Up to the date of this report, there was no final decision made by the court. The directors of the Company, after taking the legal advice into consideration, were of the view that it has slightly better than even chance in succeeding its claim in the legal proceedings against the Borrower and JV Partners, and the compensation, if any, is likely to meet the request from the Group. However, based on all the relevant facts and circumstances including the existing financial position of the Borrower and JV Partners, the Group has provided the allowance for ECL on the receivables of approximately RMB146,129,000 (2021: RMB36,120,000) accordingly.

(d) As at 31 December 2022, the balance represents guarantee deposit kept by a monitoring governmental authority in accordance with the municipal regulations in Guangzhou, and is expected to be released in line with certain development progress milestones.

(e) As at 31 December 2022, the balance represents pre-sales proceeds of three (2021: three) projects held by a governmental authority in Xuzhou. This governmental authority is responsible for the monitoring of the usage of funds which were deposited in a regulated bank account in the name of the government authority when the sales and purchase agreements have been entered into between the Group and the customers and sale proceeds received. The Group has a right to use the pre-sale proceeds kept in the bank account to pay construction costs of the related development project and the pre-sales proceeds will be put for free use by the Group upon completion of the relevant project.

(f) All balances of other receivables are from independent third parties. The carrying amounts of other receivables approximate their fair values. Note 3.1(b)(ii) provides details about the exposure of credit risk of other receivables.

(g) The amounts including prepaid value-added tax and related surcharges before the completion and settlement of the project.

(h) Prepayment costs were made for start-off costs on four urban redevelopment projects in Guangzhou and Xuzhou and one proposed project in Kunming. The management is currently conducting works as customarily required in the preliminary stage of the urban redevelopment projects. In view of the steady progress since project start-off, the management anticipates that the demolition contract will be entered into by the project company in the near future and the district government will put the land for auction with pre-requisite conditions made exclusively to the benefit of the project company.

22. CONTRACT COSTS

	2022	2021
	RMB'000	*RMB'000*
Contract costs	**282,207**	298,342

The following table set out the expenses of sales recognised in the current reporting period relating to carried-forward contract costs:

	2022	2021
	RMB'000	*RMB'000*
Expenses recognised that was included in contract costs balance at the beginning of the year	**66,742**	140,820

	RMB'000
Balance at 1 January 2021	187,798
Expenses recognised that was included in the contract costs at the beginning of the year	(140,820)
Increase in contract costs excluding amounts recognised as expenses during the year	251,364
Balance at 31 December 2021 and 1 January 2022	298,342
Expenses recognised that was included in the contract costs at the beginning of the year	**(66,742)**
Increase in contract costs excluding amounts recognised as expenses during the year	**100,562**
Reclassified as held for sale *(Note 24)*	**(49,955)**
Balance at 31 December 2022	**282,207**

23. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	Notes	2022 RMB'000	2021 RMB'000
Cash and bank balances			
Short-term bank deposits		**12,000**	2,312,000
Cash at bank and in hand		**564,923**	1,898,621
		576,923	4,210,621
Less: Restricted cash, to secure for			
– guarantee deposits for borrowings	*(a)*	**(12,000)**	(2,312,000)
– the payment of construction cost of development projects	*(b)*	**(351,085)**	(430,024)
– others		**(130,194)**	(137,555)
		(493,279)	(2,879,579)
Cash and cash equivalents		**83,644**	1,331,042
Denominated in:			
– RMB	*(c)*	**517,569**	4,163,564
– US$		**5,073**	24,831
– HK$		**54,281**	22,226
		576,923	4,210,621

Notes:

(a) As at 31 December 2022, to secure certain subsidiaries' repayment of borrowings of RMB303,722,000 (2021: RMB2,586,160,000), the bank deposits of RMB12,000,000 (2021: RMB2,312,000,000) was placed in local banks in the PRC. Certain borrowings were also pledged by the Group's properties held for sale and investment properties (Note 27).

(b) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.

(c) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24. ASSETS AND LIABILITIES OF A DISPOSAL SUBSIDIARY CLASSIFIED AS HELD FOR SALE

On 30 December 2022, the Group entered a sale and purchase agreement with an independent purchaser in connection with the disposal of the 80% interest in Chongqing Zhiyuan Property Company Limited, an indirectly non-wholly held subsidiary of the Group with effective interest rate of 73.73% (“**the Disposal Subsidiary A**”), with a consideration of RMB542,077,000. The subsidiary is engaged in property development in PRC. The purchaser is a subsidiary of a company listed on the Hong Kong Stock Exchange which is also engaged in property development in the PRC. The purchaser originally owns 20% equity interest in the Disposal Subsidiary A and provides the Group a borrowing with principal amount of approximately RMB280,000,000 (Note 27).

The Group expects a gain on disposal of approximately RMB143,206,000 to be recognised upon the completion of the transaction. The completion of the transaction is conditional as further details on the Company’s announcement on 30 December 2022. Up to the date of approval of these consolidated financial statements, the transaction has not yet completed but the Group anticipants that the sale will be completed within 2023.

The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position of the Group as at 31 December 2022.

	As at 31 December 2022 *RMB’000*	Fair value re-measurement *RMB’000*	As at 31 December 2022 *RMB’000*
Non-current assets			
Deferred tax assets *(Note 28)*	9,810	–	9,810
Current assets			
Properties under development *(Note 18)*	1,071,093	(12,093)	1,059,000
Other receivables, deposits and prepayments	60,307	–	60,307
Prepaid corporate income tax	678	–	678
Prepaid land appreciation tax	7,771	–	7,771
Amount due from the Group *(Note)*	319,477	–	319,477
Contract costs *(Note 22)*	49,955	–	49,955
Restricted cash	10,118	–	10,118
Cash and cash equivalents	8,123	–	8,123
	1,527,522	(12,093)	1,515,429
Assets of a disposal subsidiary classified as held for sale	1,537,332	(12,093)	1,525,239
Current liabilities			
Accruals and other payables	162,870	–	162,870
Amount due to the Group *(Note)*	30,849	–	30,849
Contract liabilities	791,888	–	791,888
Liabilities of a disposal subsidiary classified as held for sale	985,607	–	985,607

24. ASSETS AND LIABILITIES OF A DISPOSAL SUBSIDIARY CLASSIFIED AS HELD FOR SALE (continued)

Note: The amount due from/to the Group is related to the fund transferred from/to the fellow subsidiaries within the Group.

Including in amount due from the Group, the balance of approximately RMB262,077,000 would be offset against the consideration of the proposed disposal pursuant to the sale and purchase agreement.

The disposal Subsidiary A did not generate any revenue to the Group for the year ended 31 December 2022 (2021: Nil).

The Disposal Subsidiary A's properties under development are located in the PRC and expected to be completed within an operating cycle. The relevant land use rights are on leases of 70 years.

During the year ended 31 December 2022, a provision of RMB12,093,000 (2021: Nil) was made to write down the Disposal Subsidiary A's properties under development.

As at 31 December 2022, the Disposal Subsidiary A's properties under development were not pledged or used to secure any loan or borrowings. (2021: the Disposal Subsidiary A's properties under development of approximately RMB833,493,000 were pledged as collateral for the Group's borrowings.)

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Note	**2022** *RMB'000*	2021 *RMB'000*
Trade payables	*(a)*	**35,952**	43,275
Construction costs payable	*(b)*	**2,708,306**	3,818,059
Accrued taxes and surcharges	*(c)*	**1,458,157**	1,061,330
Other payables and accruals	*(d)*		
– Related parties	*38(e)*	**274,477**	4,006
– Third parties		**834,290**	896,580
Litigation costs		**8,946**	26,655
Tender payable to the suppliers		**78,880**	66,225
Receipt in advance, rental and other deposits from residents and tenants			
– Related parties	*38(e)*	**213**	213
– Third parties		**57,041**	60,275
Accrued staff salaries and bonuses		**17,448**	28,566
		5,437,758	5,961,909

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (continued)

(a) The ageing analysis of trade payables is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**8,301**	8,368
Over 30 days and within 90 days	**6,531**	4,000
Over 90 days and within 365 days	**6,467**	17,110
Over 365 days	**14,653**	13,797
Total trade payables	**35,952**	43,275

(b) Construction costs payable comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The amounts including accrued value-added tax and related surcharges before the completion and settlement of the project approximately RMB1,454,105,000 (2021: RMB1,057,867,000).

(d) Accruals and other payables are unsecured, interest-free, repayable on demand and non-trade item.

(e) The Group's trade payables, accruals and other payables are mainly denominated in RMB.

(f) The fair value of trade payables, accruals and other payables approximate their carrying amounts.

26. CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities	**4,165,517**	5,387,594

The Group receives payments from customers based on the billing schedule as established in sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly for sales of properties.

26. CONTRACT LIABILITIES (continued)

When the Group receives a proceed for pre-sale of the property, this will give rise to contract liabilities at the start of the contract until the revenue is recognised.

	RMB'000
Balance at 1 January 2021	9,429,225
Revenue recognised that was included in the contract liabilities at the beginning of the year	(7,282,152)
Increase in contract liabilities excluding amounts recognised as revenue during the year	3,240,521
Balance at 31 December 2021 and 1 January 2022	5,387,594
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(1,494,719)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**1,064,530**
Reclassified as held for sale *(Note 24)*	**(791,888)**
Balance at 31 December 2022	**4,165,517**

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities balance at the beginning of the year	**1,494,719**	7,282,152

(b) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liability, which are expected to be recognised in 1 to 3 years as of 31 December 2022 and 31 December 2021.

	2022	2021
	RMB'000	*RMB'000*
Unsatisfied performance obligations		
Expected to be recognised within one year	**1,063,098**	1,494,719
Expected to be recognised after one year	**3,102,419**	3,892,875
	4,165,517	5,387,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. BANK AND OTHER BORROWINGS

		2022			2021		
	Notes	**Contractual interest rate (%)**	**Original maturity**	***RMB'000***	Contractual interest rate (%)	Original maturity	*RMB'000*
Non-current							
Bank borrowings							
– Secured	*(a)(i)*	**5.10%**	**2028-2033**	**2,648,901**	2.63%-7.22%	2022-2033	2,838,428
Notes							
– Secured	*(c)*	**–**	**–**	**–**	13.00%	2022	1,469,479
– Unsecured	*(c)*	**–**	**–**	**–**	13.00%	2023	1,837,408
Bonds							
– Unsecured	*(d)*	**7.50%-8.00%**	**2024-2034**	**1,586,664**	7.00%-12.50%	2022-2034	1,435,292
Other borrowings							
– Secured	*(b)(i)*	**6%-15%**	**2023-2025**	**1,281,241**	6%-14%	2022-2023	1,336,033
– Unsecured	*(b)(ii)*	**12%**	**2025-2026**	**236,594**	–	–	–
Less: current portion of non-current borrowings				**(1,063,342)**			(4,217,843)
				4,690,058			4,698,797
Current							
Current portion of non-current borrowings				**1,063,342**			4,217,843
Bank borrowings							
– Secured	*(a)(ii)*	**2.50%-7.22%**	**2022-2033**	**1,045,857**	2.1%	2022	130,872
Notes							
– Secured	*(c)*	**13%**	**2022**	**1,703,969**	–	–	–
– Unsecured	*(c)*	**13%**	**2023**	**2,299,684**	–	–	–
Bonds							
– Secured	*(d)*	**14.50%**	**2023**	**158,486**	14.50%	2022	128,295
– Unsecured	*(d)*	**7.00%-12.50%**	**2024**	**143,834**	–	–	–
Other borrowings							
– Secured	*(b)(i)*	**6.00%-12.00%**	**2022-2023**	**331,187**	4.8%	2022	2,300,000
				6,746,359			6,777,010
Total				**11,436,417**			11,475,807

27. BANK AND OTHER BORROWINGS (continued)

Notes:

(a) *Bank borrowings*

(i) As at 31 December 2022, the non-current bank borrowings comprised of (1) a borrowing with principal amount of approximately RMB303,390,000 (2021: RMB314,960,000) carried variable interest at 105% of Loan Prime Rate ("**LPR**") per annum, secured by the Group's property, plant, and equipment, investment properties and right of use with the carrying amount of approximately RMB31,720,000 (2021: RMB30,683,000), RMB424,000,000 (2021: RMB429,000,000) and RMB84,227,000 (2021: RMB87,183,000) respectively; and (2) a syndicated borrowing for a city redevelopment project with principal amount of approximately RMB2,341,389,000 (2021: RMB1,686,000,000) carried variable interest at LPR plus 49.5 basis points ("**BP**") and secured by the Group's properties held for sale, investment properties and properties under development with the carrying amount of approximately RMB5,807,000 (2021: Nil), RMB604,236,000 (2021: Nil) and RMB3,838,283,000 (2021: 2,359,287,000) respectively.

The effective interest rate of these bank borrowings are 5.10% (2021: 5.15%) per annum.

During the year ended 31 December 2022, none of the borrowings became overdue or immediately repayable. The accrued unpaid interests for above borrowings amounting to approximately RMB4,122,000 (2021: RMB3,303,000).

(ii) As at 31 December 2022, the bank borrowings to the extent of approximately RMB1,045,857,000 (2021: Nil) became due for immediately repayable because of events of default, including:

- a borrowing with principal amounts of approximately RMB499,000,000 (2021: RMB500,000,000) carried variable interests at LPR plus 395 BP per annum which is repayable in February 2024 and became immediately repayable because of default in repayment of certain instalments. The total unpaid accrued interest of approximately RMB9,251,000 were immediately repayable.

- a borrowing and revolving loan with principal amount of approximately RMB48,655,000 (2021: RMB46,310,000) and RMB142,928,000 (2021: 130,616,000), carried variable interest rate at prime rate minus 275 BP and Hong Kong Interbank Offered Rate ("**HIBOR**") plus 190 BP per annum respectively, became immediately repayable because of default in payment of certain instalments and cross default. The accrued unpaid interest of RMB5,897,000 were immediately repayable.

- a borrowing with principal amount of approximately RMB303,722,000 (2021: 286,160,000), carried variable interest rate at HIBOR plus a specified margin of 800 BP per annum, and became immediately repayable because of default in payment of the outstanding principal. The accrued unpaid interest of approximately RMB36,404,000 were immediately repayable.

These borrowings were secured by the Group's properties held for sale, properties under development, property, plant and equipment, investment properties and restricted cash with carrying amount of approximately RMB673,741,000 (2021: RMB82,000,000), RMB1,788,800,000 (2021: RMB1,838,642,000), RMB44,248,000 (2021: RMB51,478,000), RMB584,034,000 (2021: RMB1,181,458,000) and RMB12,000,000 (2021: RMB12,000,000) respectively. The effective interest rate of these bank borrowings are ranging from 2.5% to 7.22% (2021: 2.1% to 7.22%) per annum.

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(b) *Other borrowings*

(i) As at 31 December 2022, the secured other borrowings comprised of (1) two (2021: one) short-term borrowings with aggregated principal amount of RMB330,000,000 (2021: RMB2,300,000,000) and (2) six (2021: five) long-term borrowings with aggregated principal amount of RMB1,251,727,000 (2021: 1,327,900,000) that were repayable in 2023 to 2025. These borrowings carried fixed interest rates ranging from 6.0% to 15.0% (2021: 4.8% to 14.0%) per annum.

The borrowings were secured by the Group's investment properties, properties held for sale and properties under development with the total carrying amount of approximately RMB52,100,000 (2021: RMB1,362,000,000), RMB192,692,000 (2021: RMB: 423,524,000), RMB3,464,110,000 (2021: RMB6,260,302,000) respectively. As at 31 December 2021, the borrowings were also secured by restricted cash amounting to RMB2,300,000,000.

During the year ended 31 December 2022, none of the borrowing became due for immediately repayable as a result of the event of cross default. The accrued unpaid interests amounting to approximately RMB30,701,000 (2021: 8,133,000,000).

(ii) During the year ended 31 December 2022, the Group has obtained certain unsecured borrowings from the independent third parties which are not the financial institutions comprised of 2 borrowings with aggregated principal amount of approximately RMB221,000,000 carried fixed interest rate of 12% per annum and repayable in January 2026.

During the year ended 31 December 2022, none of the borrowing became overdue or immediately repayable.

As at 31 December 2022, the accrued unpaid interests thereon amounting to approximately RMB15,594,000 (2021: Nil).

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(c) *13% senior notes*

The 13% senior notes issued by the Company or a subsidiary of the Company are all listed on Singapore Exchange Securities Trading Limited.

Key terms of respective senior notes are as follows:

	2021 Notes	2022 Notes	2023 Notes
Nominal amount:	US$87,500,000	US$274,000,000	US$292,000,000
Nominal amount:	RMB609,403,000	RMB1,908,300,000	RMB2,033,663,000
Issue date:	2020/7/21	2019/7/8-2019/11/14	2020/12/16-2021/6/7
Security code:	ISIN: XS2181861654	ISIN: XS2022224047	ISIN: XS2272702338
Interest rate:	13% per annum, which is repayable semi-annually, commencing 21 January 2021	13% per annum, which is repayable semi-annually in arrears on 8 January and 8 July of each year, commencing 8 January 2020	13% per annum, which is repayable semi-annually in arrears on June 16 and December 16 of each year, commencing 16 June 2021
Effective interest rate:	15.48%	13.15%-13.26%	14.05%
Final maturity date:	20 July 2021	8 July 2022	16 December 2023
Collateral:	N/A	the collateral securing the notes, consists of a share charge of the entire shareholding interest over Winprofit Investment Enterprises Limited, a direct wholly-owned subsidiary of the Company	N/A

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(c) *13% senior notes (continued)*

Redemption option of 2021 Notes, 2022 Notes and 2023 Notes:	At any time prior to the final maturity date, the Company or the issuer may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes plus an applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to the final maturity date, the Company or the issuer may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.0% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the notes issued on the original issue date of the notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.
Repurchase option of 2022 Notes and 2023 Notes:	The Company or the issuer shall, at the option of any holder of the notes, repurchase all of the notes held by such holder, or any portion of the principal thereof that is equal to US$200,000 or integral multiples of US$1,000 in excess thereof on the put option settlement date at 100% of the principal amount of the notes plus accrued interests.

The remaining carrying amount of respective notes as at the end of each reporting date are as follows:

	2022	2021
	RMB'000	*RMB'000*
2021 Notes	–	–
2022 Notes	**1,703,969**	1,469,479
2023 Notes	**2,299,684**	1,837,408
	4,003,653	3,306,887

During the year ended 31 December 2021, the Group fully settled the 2021 Notes at the principal amount of approximately RMB561,307,000.

During the year ended 31 December 2022, full amount of the notes became immediately repayable as a result of the event of cross default and had been classified as current liabilities thereafter.

The Company is actively negotiating with the creditors of the Company for the Debt Restructuring Proposal.

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(d) *Bonds*

	2021/2022 Bonds	2022/2023 Bonds	2023/2024 Bonds	2024/2025/2026 2031/2032/2033 Bonds ("**2024-2033 Bonds**")	2027/2034 Bonds
Nominal amount:	HK$21,300,000	US$20,000,000	HK$155,300,000	HK$3,290,000,000	HK$1,890,000,000
Nominal amount:	RMB17,415,000	RMB139,292,000	RMB138,729,000	RMB2,938,957,000	RMB1,688,337,000
Issue date:	2019/6/14-2020/2/4	2021/12/10-2022/1/19	2020/05/13-2021/9/15	2014/10/22-2017/6/2	2017/6/20-2018/6/15
Security code:	N/A	N/A	N/A	ISIN: XS1130150391 XS1323898707 XS1397876258 XS1525845985 XS1558627771 XS1142114278 XS1304503268 XS1341411822 XS1525848575 XS1558627342	N/A
Interest rate:	9% per annum, payable quarterly	14.5% per annum, payable quarterly	7.0% at the first anniversary, 8.0% from the first anniversary to the second anniversary, and 12.5% from second anniversary to maturity, payable quarterly.	11%-13% per annum prepaid, and 0.1% payable annually	7.5%–8% prepaid, and 0.1% payable annually
Effective interest rate:	12.42%	15.37%	13.00%	11.55%-12.38%	11.27%-12.19%
Final maturity date:	3 Feb 2022	18 Feb 2023	14 Sep 2024	14 Nov 2033	16 Jun 2034
Collateral:	N/A	450 parking spaces of Guangzhou Skyfame Byland project of approximately RMB65,700,000. (2021: RMB62,214,000) held by Guangzhou Yucheng Real Estate Development Company Limited	N/A	N/A	N/A
Redemption option:	Nil	note(d)(i)	note(d)(ii)	note(d)(iii)	note(d)(iii)
Repurchase option:	Nil	Nil	Nil	note(d)(iii)	note(d)(iii)

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(d) Bonds (continued)

(i) At any time after the issue date but prior to the maturity date, the issuer may, at its option, redeem the whole or any part of the outstanding bonds, by a minimum of US$2,000,000, by giving not less than 30 days (or such shorter period as the bondholder may agree) prior irrevocable notice of redemption to the bondholder. The notice of redemption shall specify the date upon which such redemption is to be made. The corresponding principal amount, together with any accrued but unpaid interests and a makewhole amount, shall become due and payable upon such date for redemption as specified in the notice.

(ii) The bondholder may, at any time during the period between the first day immediately after the second anniversary of the issue date of such bond and the last day immediately preceding the maturity date by depositing the bondholder redemption notice with the issuer at least forty-five days before the date of redemption, request the issuer to redeem all or any part of the outstanding principal amount of such bond in the denomination of HK$1,000,000 or in integral multiples of HK$100,000 above thereof at an amount equivalent to the sum of the outstanding principal amount of the bond to be redeemed and any accrued but unpaid interest up to the redemption date.

(iii) Bondholders have the right to require the Company to redeem the bonds either after 8th anniversary date from the issue of the bonds or at any time with agreed notice period within one month, depending on the relevant bonds. The Company has the right to repurchase the 2031 Bonds, 2032 Bonds, 2033 Bonds and 2034 Bonds on specific dates or periods.

The remaining carrying amount of respective bonds as at the end of each reporting date are as follows:

	2022 *RMB'000*	2021 *RMB'000*
2021/2022 Bonds	–	17,602
2022/2023 Bonds	**158,486**	128,295
2023/2024 Bonds	**143,834**	122,812
2024-2033 Bonds	**1,128,657**	920,309
2027/2034 Bonds	**458,007**	374,569
	1,888,984	1,563,587

During the year ended 31 December 2022, the Group fully settled the 2021/2022 Bonds.

During the year ended 31 December 2022, the bonds with principal of approximately RMB278,021,000 was become immediately repayable as a result of the event of cross-default and had been classified as current liabilities thereafter.

As at 31 December 2022, the Group is required to repay the outstanding principal and interest thereon (with the default interest at 29% or 20% per annum) accrued up to the date of full settlement. As at 31 December 2022, the accrued but unpaid interests thereon amounting to approximately RMB24,299,000 (2021: Nil).

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(d) *Bonds (continued)*

2024-2033 Bonds are listed on Stock Exchange. As at 31 December 2022, the trading of the 2024-2033 Bonds was suspended.

As at 31 December 2022, the remaining balance of bonds amounting to approximately RMB1,512,041,000 did not trigger the early redemption conditions which require immediately repayment, and hence will be repayable with original contractual repayment schedule, which had been classified as non-current liabilities.

The Company is actively negotiating with the creditors of the Company for the Debt Restructuring Proposal.

(e) *The maturity and fair value of the borrowings are as follows:*

	Secured bank borrowings	Secured senior notes	Unsecured Senior Notes	Secured bonds	Unsecured bonds	Secured other borrowings	Unsecured other borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022								
– Within 1 year	**1,074,369**	**1,703,969**	**2,299,684**	**158,486**	**218,456**	**1,275,801**	**15,594**	**6,746,359**
– 1-2 years	**27,695**	**–**	**–**	**–**	**146,732**	**–**	**80,400**	**254,827**
– 2-5 years	**99,515**	**–**	**–**	**–**	**116,222**	**336,627**	**140,600**	**692,964**
– Over 5 years	**2,493,179**	**–**	**–**	**–**	**1,249,088**	**–**	**–**	**3,742,267**
Carrying amount	**3,694,758**	**1,703,969**	**2,299,684**	**158,486**	**1,730,498**	**1,612,428**	**236,594**	**11,436,417**
Fair value	**3,694,758**	**23,566**	**30,962**	**158,486**	**1,730,498**	**1,612,428**	**236,594**	**7,487,292**
As at 31 December 2021								
– Within 1 year	529,330	1,469,479	1,837,408	128,295	20,265	2,792,233	–	6,777,010
– 1-2 years	544,510	–	–	–	16,207	843,800	–	1,404,517
– 2-5 years	1,387,037	–	–	–	371,711	–	–	1,758,748
– Over 5 years	508,423	–	–	–	1,027,109	–	–	1,535,532
Carrying amount	2,969,300	1,469,479	1,837,408	128,295	1,435,292	3,636,033	–	11,475,807
Fair value	2,969,300	1,362,304	1,533,276	128,295	1,435,292	3,636,033	–	11,064,500

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(f) As at 31 December 2022, the Group had the following undrawn borrowing facilities:

	2022	2021
	RMB'000	*RMB'000*
Variable rate:		
– Expiring within 1 year	–	1,173
– Expiring beyond 1 year	**4,774,000**	6,250,000
	4,774,000	6,251,173

(g) As at 31 December 2022, the Group's borrowings were denominated in the following currencies:

	2022	2021
	RMB'000	*RMB'000*
RMB	**5,006,174**	6,141,399
HK$	**2,268,104**	1,899,226
US$	**4,162,139**	3,435,182
	11,436,417	11,475,807

(h) As at 31 December 2022, the Group's assets with carrying amount included in the following categories in the consolidated statement of financial position were pledged to secure credit facilities granted to the Group:

	2022	2021
	RMB'000	*RMB'000*
Properties, plant and equipment *(Note 13)*	**75,968**	82,161
Right-of-use assets *(Note 14)*	**84,227**	87,183
Investment properties *(Note 15)*	**1,664,370**	2,972,458
Properties under development *(Note 18)*	**9,091,193**	10,458,231
Properties held for sale *(Note 19)*	**937,941**	567,738
Deposits *(Note 23)*	**12,000**	2,312,000
	11,865,699	16,479,771

In addition, as at 31 December 2022 and 2021, the Group's certain loan facilities were secured by:

– Shares in certain subsidiaries of the Company;

– Corporate guarantee provided by the Company and/or the fellow subsidiary;

– Personal guarantee provided by Mr. Yu Pan or together with his spouse.

28. DEFERRED TAX ASSETS/LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Deferred income tax assets		
To be realised after more than 12 months	**482,101**	251,198
To be realised within 12 months	**44,150**	34,972
	526,251	286,170
Deferred income tax liabilities		
To be realised after more than 12 months	**(367,229)**	(407,653)
To be realised within 12 months	**–**	(21,982)
	(367,229)	(429,635)
	159,022	(143,465)

The net movements on the deferred income tax are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Beginning of the year	**(143,465)**	(353,188)
Classified as held for sale *(Note 24)*	**(9,810)**	–
Disposal of a subsidiary *(Note 31)*	**11,070**	–
Tax credit to consolidated income statement *(Note 10)*	**301,227**	209,723
Ending of the year	**159,022**	(143,465)

28. DEFERRED TAX ASSETS/LIABILITIES (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Tax losses	Temporary difference on unrealised profit of intercompany transactions	Temporary difference on land appreciation tax	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	**92,585**	**13,681**	**229,782**	**57,046**	**393,094**
Classified as held for sale *(Note 24)*	**–**	**–**	**(6,787)**	**(3,023)**	**(9,810)**
Credited/(charged) to profit or loss	**(27,164)**	**4,511**	**(13,158)**	**298,287**	**262,476**
As at 31 December 2022	**65,421**	**18,192**	**209,837**	**352,310**	**645,760**
As at 1 January 2021	53,891	11,820	214,883	19,493	300,087
Credited to profit or loss	38,694	1,861	14,899	37,553	93,007
As at 31 December 2021	92,585	13,681	229,782	57,046	393,094

(b) Deferred income tax liabilities

	Building	Investment properties	Properties under development	Properties held for sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	**(14,916)**	**(390,612)**	**(47,721)**	**(83,310)**	**(536,559)**
Disposal of subsidiaries *(Note 31)*	**–**	**–**	**11,070**	**–**	**11,070**
Credit to profit or loss	**259**	**45,225**	**(20,711)**	**13,978**	**38,751**
At 31 December 2022	**(14,657)**	**(345,387)**	**(57,362)**	**(69,332)**	**(486,738)**
As at 1 January 2021	(15,175)	(392,559)	(154,527)	(91,014)	(653,275)
Credit to profit or loss	259	1,947	106,806	7,704	116,716
At 31 December 2021	(14,916)	(390,612)	(47,721)	(83,310)	(536,559)

28. DEFERRED TAX ASSETS/LIABILITIES (continued)

(b) Deferred income tax liabilities (continued)

As at 31 December 2022, the Group has estimated unutilised tax losses of approximately RMB4,227,975,000 (2021: RMB2,007,934,000) for offsetting against future assessable profits. RMB261,684,000 out of the tax losses has been recognised as deferred tax assets as at 31 December 2022 (2021: RMB370,340,000). The unrecognised tax losses include a balance of RMB2,634,859,000 (2021: RMB1,321,113,000) which may be carried forward indefinitely, and the remaining balance of RMB1,331,432,000 (2021: RMB316,481,000) will expire in five years.

Year	*RMB'000*
2023	28,608
2024	64,744
2025	155,422
2026	41,050
2027	1,041,608
Indefinite	2,634,859
	3,966,291

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. As at 31 December 2022, the Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as they do not have a plan to distribute these earnings out of Mainland China in the foreseeable future.

29. SHARE CAPITAL AND SHARE PREMIUM

	Notes	Number of shares of ordinary share capital '000	Nominal value of ordinary share capital HK$'000	Equivalent nominal value of ordinary share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
At 31 December 2021, 1 January 2022 and 31 December 2022		90,000,000	300,000	311,316		
Issued and fully paid:						
At 1 January 2021		7,930,294	26,509	24,680	579,406	604,086
Shares issued under share option scheme	*(i)*	26,037	87	72	10,281	10,353
Issue of shares: share placing	*(ii)*	490,000	1,638	1,340	351,211	352,551
At 31 December 2021, 1 January 2022 and 31 December 2022		8,446,331	28,234	26,092	940,898	966,990

Notes:

(i) During the year ended 31 December 2021, total of 10,529,291 share options with adjusted exercise price of HK$0.2238 granted under the 2005 Scheme and 15,507,967 share options with exercise price of HK$0.3607 granted under the 2015 Scheme to subscribe for aggregate 26,037,258 ordinary shares in the Company were exercised at a total consideration of HK$7,950,000, equivalent to approximately RMB6,730,000. Accordingly the Company recognised RMB72,000 and RMB10,281,000 as share capital and share premium respectively. The amount of RMB3,623,000 was transferred from the share-based payment reserve to the share premium which was recognised in previous years in accordance with policy set out in Note 2.4.16.

(ii) On 28 June 2021, the Company had completed share placing with net consideration of RMB352,551,000. A total of 490,000,000 placing shares had been placed at the placing price of HK$0.877 per placing share, representing approximately 5.80% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.

30. RESERVES

	Notes	Share- based payment reserve RMB'000	Shares held for share award scheme reserve RMB'000	Foreign exchange reserves RMB'000	Other reserves RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
As at 1 January 2021		44,382	(123,242)	197	826,315	2,995,966	3,743,618
Exchange differences arising on foreign operations		–	–	5,899	–	–	5,899
Issue of shares: exercise of options issue	*29,33*	(3,623)	–	–	–	–	(3,623)
Employee share option and share award schemes	*33,34*	6,640	–	–	–	–	6,640
Reallocation of lapsed options from share-based payment reserve to retained profits	*33*	(372)	–	–	–	372	–
Shares transferred to employee under share award schemes	*34*	(24,023)	20,325	–	–	3,698	–
Final dividend for 2020		–	–	–	–	(210,824)	(210,824)
Dividends received under the share award scheme		–	–	–	–	2,853	2,853
Loss for the year		–	–	–	–	(284,209)	(284,209)
At 31 December 2021 and at 1 January 2022		23,004	(102,917)	6,096	826,315	2,507,856	3,260,354
Exchange differences arising on foreign operations		–	–	(138,674)	–	–	(138,674)
Employee share option and share award schemes	*33,34*	225	–	–	–	–	225
Reallocation of lapsed options from share-based payment reserve to retained profits	*33*	(2,398)	–	–	–	2,398	–
Shares transferred to employee under share award schemes	*34*	(15,400)	17,161	–	–	(1,761)	–
Cancellation of share award scheme		(2,746)	85,756	–	(37,524)	(42,699)	2,787
Loss for the year		–	–	–	–	(3,491,272)	(3,491,272)
Transfer to reserve		–	–	–	117,807	(117,807)	–
At 31 December 2022		2,685	–	(132,578)	906,598	(1,143,285)	(366,580)

30. RESERVES (continued)

(a) The following describes the nature and purpose of each reserve within owners' equity:

Share-based payment reserve	The reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 2.4.16.
Shares held for share award scheme reserve	The shares held for share award scheme is the consideration paid, including any directly attributable incremental costs for purchase of shares under the share award scheme.
Foreign exchange reserve	The amount represents gains/losses arising from the translation of the financial statements of foreign operations.

31. PARTIAL DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2022, the Group entered into the sales and purchase agreement (the "**Agreement**") with two independent third parties, to dispose of its 50% equity interests in an indirectly owned subsidiary which is principally engaged in the hospital operation in the PRC (the "**Disposal Subsidiary B**"), at a consideration of approximately RMB225,000,000. The consideration was fully settled during the year.

The partial disposal was completed on 24 June 2022 ("**Disposal Date**"), and since then, the Group's equity interest in the Disposal Subsidiary B was reduced from 70% to 20%, and lost control over the Disposal Subsidiary B and the results, assets and liabilities of the Disposal Subsidiary B were ceased to be consolidated with those of the Group. According to the Agreement, the Group lost control over the Disposal Subsidiary B but retained significant influence over the Disposal Subsidiary B. Accordingly, the Group account for its retained interest in the Disposal Subsidiary B as its interest in an associate (Note 17).

Loss on partial disposal of a subsidiary of approximately RMB77,361,000 was recognised as "Other (losses)/gains – net" in the profit or loss during the year ended 31 December 2022.

31. PARTIAL DISPOSAL OF A SUBSIDIARY (continued)

The net carrying amounts of assets/(liabilities) of the Disposal Subsidiary B as at the Disposal Date were as follows:

	24 June 2022
	RMB'000
Property, plant and equipment *(Note 13)*	**399,623**
Right-of-use assets *(Note 14)*	**135,179**
Deposits and other receivables	**11,631**
Other payables	**(49)**
Cash and cash equivalent	**1**
Deferred tax liabilities *(Note 28)*	**(11,070)**
Net assets disposed of	**535,315**
NCI at the Disposal Date	**(142,954)**
Loss on partial disposal of a subsidiary	**(77,361)**
Consideration	**315,000**
Total consideration Including:	
– Cash	**225,000**
– Fair value of remaining equity interests in the Disposal Subsidiary B	**90,000**
	315,000
Cash consideration	**225,000**
Less: net cash disposed of from the Disposal Subsidiary B	**(1)**
Net cash inflow of disposal of a subsidiary	**224,999**

32. FINANCIAL GUARANTEE CONTRACT

	2022	2021
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,277,635**	3,805,704

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments of certain instalments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the likelihood of default in payments of certain instalments by purchasers is minimal and in case of default in payments of certain instalments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the ECL of these financial guarantees is immaterial.

33. SHARE OPTION SCHEME

(a) 2005 Scheme

Pursuant to a resolution passed on 4 August 2005, a share option scheme was adopted (the "**2005 Scheme**").

The Company operates the 2005 Scheme for the purposes of providing incentives and rewards to eligible participants. The 2005 Scheme became effective on 5 August 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the 2005 Scheme, the Directors are authorised, at their absolute discretion, to invite any employee of the Group or of any entity in which the Group holds equity interest and any supplier, consultant, adviser or customer of the Group or of any entity in which the Group holds equity interest to participate in the 2005 Scheme. Each option gives the holder the right to subscribe for ordinary share in the Company.

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares in the Company.

As at 31 December 2022, no share options granted under 2005 scheme was outstanding.

33. SHARE OPTION SCHEME (continued)

(b) 2015 Scheme

Pursuant to a resolution passed on 9 June 2015, a new share option scheme was adopted (the "**2015 Scheme**").

The Company operates the 2015 Scheme for the purposes of continuing the provision of incentives or rewards to eligible participants. The Board may at its discretion, grant share options to any of the eligible participants. Eligible participants of the 2015 Scheme include (i) any employee or proposed employee; and (ii) any directors of any member of the Group or any invested entity, and for the purpose of the 2015 Scheme, share options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. The 2015 Scheme became effective on 9 June 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

As at 31 December 2022, share options of 76,799,933 (2021: 82,001,033) granted under 2015 scheme were outstanding.

33. SHARE OPTION SCHEME (continued)

(c) 2005 and 2015 Scheme

Details of the movement of the share options are as follows:

Date of grant	Exercise period	Exercise price per share before the completion of share sub-division	Adjusted exercise price per share	Number of options outstanding at 1 January 2021	Options exercised	Options lapsed/ cancelled	Number of options outstanding at 31 December 2021 and 1 January 2022	Options exercised	Options lapsed/ cancelled	Number of options outstanding at 31 December 2022
11 August 2011	11 August 2015 to 10 August 2021	HK$0.6714	HK$0.2238	4,316,191	(4,316,191)	–	–	–	–	–
11 August 2011	11 August 2018 to 10 August 2021	HK$0.6714	HK$0.2238	6,213,100	(6,213,100)	–	–	–	–	–
				10,529,291	(10,529,291)	–	–	–	–	–
26 June 2015	26 June 2016 to 25 June 2025	HK$1.0820	HK$0.3607	8,452,500	(3,432,000)	–	5,020,500	–	–	5,020,500
26 June 2015	26 June 2017 to 25 June 2025	HK$1.0820	HK$0.3607	6,248,600	(3,432,000)	–	2,816,600	–	–	2,816,600
26 June 2015	26 June 2018 to 25 June 2025	HK$1.0820	HK$0.3607	10,586,000	(1,022,667)	–	9,563,333	–	(578,100)	8,985,233
26 June 2015	26 June 2019 to 25 June 2025	HK$1.0820	HK$0.3607	18,307,400	(5,619,900)	–	12,687,500	–	(729,000)	11,958,500
26 June 2015	26 June 2021 to 25 June 2025	HK$1.0820	HK$0.3607	14,157,000	(2,001,400)	–	12,155,600	–	(729,000)	11,426,600
26 June 2015	26 June 2022 to 25 June 2025	HK$1.0820	HK$0.3607	20,377,500	–	(429,000)	19,948,500	–	(1,587,000)	18,361,500
26 June 2015	26 June 2022 to 25 June 2025	HK$1.0820	HK$0.3607	20,235,000	–	(426,000)	19,809,000	–	(1,578,000)	18,231,000
				98,364,000	(15,507,967)	(855,000)	82,001,033	–	(5,201,100)	76,799,933
				108,893,291	(26,037,258)	(855,000)	82,001,033	–	(5,201,100)	76,799,933
Weighted average exercise price				HK$0.3475	HK$0.3053	HK$0.3607	HK$0.3607	–	HK$0.3607	HK$0.3607
Analysis by category:										
Directors				41,671,291	(858,000)	–	40,813,291	–	–	40,813,291
Other employees				67,222,000	(25,179,258)	(855,000)	41,187,742	–	(5,201,100)	35,986,642
				108,893,291	(26,037,258)	(855,000)	82,001,033	–	(5,201,100)	76,799,933

33. SHARE OPTION SCHEME (continued)

(d) The fair value of each option granted on 11 August 2011 and 26 June 2015 were HK$0.42 and HK$0.58 respectively which was determined using Binomial Model by an independent valuer.

The share options granted on 11 August 2011 and 26 June 2015 are subject to the following vesting schedules and the vesting condition is that the individual remains a director or an employee of the Group at the time of exercise the options:

Option Exercise Period	2005 Scheme Number of share options exercisable
From 11/8/2012 to 10/8/2021	33%
From 11/8/2015 to 10/8/2021	33%
From 11/8/2018 to 10/8/2021	34%
	100%

Option Exercise Period	2015 Scheme Number of share options exercisable
From 26/6/2016 to 25/6/2025	14.30%
From 26/6/2017 to 25/6/2025	14.30%
From 26/6/2018 to 25/6/2025	14.30%
From 26/6/2019 to 25/6/2025	14.30%
From 26/6/2020 to 25/6/2025	14.30%
From 26/6/2021 to 25/6/2025	14.30%
From 26/6/2022 to 25/6/2025	14.20%
	100.00%

The fair value of share options granted is recognised as employee costs with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods. The Group recognised RMB225,000 (2021: RMB707,000), as equity-settled share-based payment expenses for the year ended 31 December 2022 in relation to share options granted by the Company.

During the year, none of the share options were exercised, (2021: 26,037,258 share options were exercised, the weighted average share price at the date of exercise of option is HK$0.3053).

During the year, 5,201,100 (2021: 855,000) share options were lapsed or cancelled, the respective amounts of share options reserve of approximately RMB2,398,000 (2021: RMB372,000) were transferred to accumulated losses of the Group.

34. SHARE AWARD SCHEME BY THE COMPANY

On 3 July 2018 (the "**Adoption Date**"), the Board adopted a share award scheme (the "**Share Award Scheme**") which has taken effect on the same day to provide individual employees ("**Selected Participants**") of the Group proposed by the Board with an opportunity to acquire a proprietary interest in the Company for the purpose of (i) recognising the contributions by certain employees and give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attracting suitable personnel for further development of the Group.

On the Adoption Date, The Company appointed a trustee, an independent third party, for the administration of the Share Award Scheme. The award shares may be satisfied by (i) existing shares to be acquired by the trustee from the market; or (ii) new shares to be allotted and issued to the trustee by the Company under the mandate sought from the shareholders in its general meeting, in both case the costs of which will be borne by the Company. The trustee shall hold such shares in trust until they are vested to the beneficiaries in accordance to the rules of the Share Award Scheme.

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date; and (ii) such date of early termination as determined by the directors of the Company.

Approved by Remuneration Committee, a total of 39,833,333 shares were awarded to Selected Participant with no consideration. The vesting period covers from 1 May 2019 to 30 April 2020. The Company resolved to amend for the purpose of supplementary awarding 8,000,000 shares. The fair value of the shares HK$1.21 was estimated by taking reference to the market price of the Company's shares on grant date.

Approved by Remuneration Committee, a total of 22,250,011 shares were awarded to Selected Participant with no consideration. The vesting period covers from 1 May 2020 to 30 April 2021. The fair value of the shares HK$0.95 was estimated by taking reference to the market price of the Company's shares on grant date.

The fair value of shares granted is recognised as employee costs with a corresponding increase in share award scheme reserve within equity over the relevant vesting periods. During the year ended 31 December 2022, the Group did not recognise any share award scheme expenses in relation to share award scheme granted by the Company (2021: RMB5,933,000).

During the year ended 31 December 2022, a total number of 19,250,009 vested shares (2021: 23,097,158 shares) were transferred to employee. Relevant amounts of share held for share award scheme were accounted to share-based payment reserve and retain.

The board of directors of the Company has resolved to terminate the Share Award Scheme with effect from 21 June 2022. There is no outstanding award for shares granted to Selected Participants under the Share Award Scheme.

34. SHARE AWARD SCHEME BY THE COMPANY (continued)

All the shares held by the trustee for the purpose of the Share Award Scheme are listed below:

	Number of shares **2022**	2021
At 31 December	–	115,240,842
% of the issued share capital	–	1.22%

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash from operating activities

	Note	**2022** ***RMB'000***	2021 *RMB'000*
(Loss)/profit before income tax		**(3,844,379)**	683,447
Adjustments for:			
Finance cost/(income) – net	*7*	**1,089,734**	(90,943)
Other gains not recognised in operating activities		**–**	(21,844)
Equity-settled share-based payment expenses	*33, 34*	**225**	6,640
Depreciation of property, plant and equipment	*13*	**17,270**	17,816
Depreciation of right-of-use assets	*14*	**11,159**	14,231
Fair value changes in financial assets	*20*	**249,219**	271,383
Share of loss/(profit) in a joint venture, net of tax	*16*	**3,988**	(414)
Share of loss in an associate, net of tax	*17*	**641**	–
Impairment loss of interest in a joint venture	*16*	**20,161**	–
Impairment loss of trade receivables, deposits and other receivables	*21*	**116,670**	41,749
Impairment loss of amounts due from non-controlling interest	*21*	**117,028**	1,338
Impairment loss of properties under development and properties held for sale	*18, 19*	**1,169,096**	90,038
Loss on disposal of property, plant and equipment	*13*	**12,797**	–
Impairment loss on property, plant and equipment	*13*	**1,669**	–
Fair value changes in investment properties	*15*	**204,447**	5,335
Re-measurement loss for non-current assets classified as held for sale	*24*	**12,093**	–
Net loss on partial disposal of a subsidiary	*31*	**77,361**	–
Operating (loss)/profit before working capital changes		**(740,821)**	1,018,776
Decrease in properties under development		**733,558**	1,402,203
(Increase)/decrease in properties held for sale		**(392,209)**	385,067
Increase in investment properties under construction		**–**	(82,588)
Increase in trade receivables, deposits and other receivables		**(856,702)**	(100,757)
(Decrease)/increase in trade payables, accruals and other payables		**(725,494)**	936,554
Decrease in contract costs		**(33,820)**	(110,544)
Decrease/(increase) in restricted cash		**76,182**	(425,219)
Decrease in contract liabilities		**(430,189)**	(4,041,631)
Cash used in operations		**(2,369,495)**	(1,018,139)
PRC corporate income tax paid		**(16,134)**	(316,641)
PRC land appreciation tax paid		**(83,687)**	(128,078)
Net cash used in operating activities		**(2,469,316)**	(1,462,858)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

	Note	Bank and other borrowings RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022		**11,475,807**	**4,006**	**189,861**	**11,669,674**
Inflow from financing activities		**1,838,576**	**–**	**–**	**1,838,576**
Outflow from financing activities		**(2,441,883)**	**(4,006)**	**–**	**(2,445,889)**
Interest paid		**(673,465)**	**–**	**-**	**(673,465)**
Other changes	*(ii)*	**1,237,382**	**–**	**19,361**	**1,256,743**
As at 31 December 2022		**11,436,417**	**–**	**209,222**	**11,645,639**
As at 1 January 2021		8,691,436	–	171,525	8,862,961
Inflow from financing activities		6,288,462	4,006	–	6,292,468
Outflow from financing activities		(3,493,788)	–	–	(3,493,788)
Interest paid		(952,630)	–	–	(952,630)
Other changes	*(ii)*	942,327	–	18,336	960,663
As at 31 December 2021		11,475,807	4,006	189,861	11,669,674

(i) Material non-cash transaction: during the year, an investment property with fair value of approximately RMB445,000,000, was transferred to property held for sale upon the management changed the intention of use of the investment property from earning of rental income to selling of the property. Details are set out in Note 19.

(ii) Other non-cash movements mainly comprise: i) accrued lease liabilities, ii) foreign exchange adjustment and iii) certain assets and liabilities of a disposal subsidiary were reclassified as held for sale.

36. COMMITMENTS

(a) Operating leases commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**6,017**	4,808

36. COMMITMENTS (continued)

(b) Other commitments

	2022 RMB'000	2021 RMB'000
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**6,488,407**	8,293,205

37. PROVISION AND CONTINGENT LIABILITIES

The Group has been involved in several lawsuits arising in the ordinary course of business. As at 31 December 2022 and 2021, no provision has been made for the probable losses to the Group as the management assessed the outcome of the lawsuits taking into account the legal advice and considered none of these is expected to have a significant effect on the consolidated financial statements of the Group.

38. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. YU Pan	The ultimate controlling shareholder and also the director of the Company
Mr. YU Feng	Close family member of the ultimate controlling shareholder
廣州市豐嘉企業發展有限公司 (Guangzhou Fengjia Enterprise Development Company Limited)*	Controlled by close family member of the ultimate controlling shareholder
綠景控股股份有限公司 (Lvjing Holding Company Limited)* (“**Lvjing Holding**”)	Controlled by close family member of the ultimate controlling shareholder
廣州市明安醫療投資有限公司 (Guangzhou Mingan Medical Investment Company Limited)*(“**Guangzhou Mingan**”)	Controlled by close family member of the ultimate controlling shareholder
深圳前海易通基金管理有限公司 Shenzhen Qianhai Yitong Fund Management Company Limited* (“**Qianhai Yitong**”)	Controlled by close family member of the ultimate controlling shareholder
宏宇天譽控股有限公司 Cosmos Tianyu Holdings Limited (“**Cosmos Tianyu**”)	Controlled by the ultimate controlling shareholder

* *English name is for identification purpose only*

38. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

During the years ended 31 December 2022 and 2021, the Group had the following significant transactions with related parties:

	2022	2021
	RMB'000	*RMB'000*
Nature of transactions		
Rental income received from office leasing	**1,389**	1,388

(c) Personal guarantee by the ultimate controlling shareholder

As at 31 December 2022 and 2021, Mr. YU Pan and his spouse have provided guarantee to banks in respect of the loan facilities extended to some Company's subsidiaries as disclosed in Note 27(h).

(d) Compensation of key management personnel

The remuneration of members of senior management, including Directors' emoluments as disclosed in Note 39, incurred during the year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Short-term benefits	**14,411**	24,262
Other long-term benefits	**478**	785
Equity-settled share-based payment expenses	**13**	4,457
	14,902	29,504

38. RELATED PARTY TRANSACTIONS (continued)

(e) Balances with related parties

Save as disclosed above, as at 31 December 2022 and 2021, the Group has the following significant balances with related parties:

	2022 *RMB'000*	2021 *RMB'000*
Amounts due to related parties included in other payables and other borrowings:		
Lvjing Holding and Guangzhou Mingan	**213**	213
Cosmos Tianyu	**–**	4,006
Amount due to Disposal Subsidiary A classified as held for sale *(Note)*	**274,477**	–
Other borrowing from non-controlling interests of Disposal Subsidiary A	**280,000**	–
	554,690	4,219

Note:

Including in the amount due to Disposal Subsidiary A classified as held for sale, RMB262,077,000 is expected to be offset against as part of sales consideration of proposed disposal (Note 24), the remaining RMB12,400,000 is expected to be repaid within 2023.

Amounts due to related parties mainly represent the cash advances which is unsecured, interest-free and repayable on demand.

39. BENEFITS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2022 and 2021 are set out below: Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Fees *RMB'000*	Salaries and other benefits *RMB'000* *(Note (a))*	Bonuses *RMB'000* *(Note (b))*	Equity-settled share-based payment and share awards expenses *RMB'000* *(Note (c))*	Contributions to defined contribution pension plan *RMB'000*	Total *RMB'000*
2022						
Executive directors						
YU Pan	–	2,172	–	–	15	2,187
WEN Xiaobing (resigned on 22 June 2022)	49	914	–	56	7	1,026
WANG Chenghua	–	1,897	–	–	15	1,912
JIN Zhifeng	–	2,009	–	–	15	2,024
Non-executive directors						
WONG Lok (resigned on 17 June 2022)	99	–	–	–	–	99
WANG Kailing (appointed on 17 June 2022)	–*	–	–	–	–	–*
Independent non-executive directors						
CHOY Shu Kwan (resigned on 17 June 2022)	99	–	–	–	–	99
CHENG Wing Keung, Raymond (resigned on 17 June 2022)	99	–	–	–	–	99
CHUNG Lai Fong (resigned on 17 June 2022)	99	–	–	–	–	99
WEN Xiangjing (appointed on 27 June 2022)	70	–	–	–	–	70
CUI Yuan (appointed on 27 June 2022)	70	–	–	–	–	70
TANG Yu (appointed on 27 June 2022)	70	–	–	–	–	70
	655	6,992	–	56	52	7,755
2021						
Executive directors						
YU Pan	–	2,109	–	422	15	2,546
WEN Xiaobing	91	1,842	–	403	15	2,351
WANG Chenghua	–	1,842	–	267	15	2,124
JIN Zhifeng	–	1,950	–	267	15	2,232
Non-executive director						
WONG Lok	216	–	–	–	–	216
Independent non-executive directors						
CHOY Shu Kwan	200	–	–	17	–	217
CHENG Wing Keung, Raymond	200	–	–	17	–	217
CHUNG Lai Fong	200	–	–	7	–	207
	907	7,743	–	1,400	60	10,110

* *amount less than RMB1,000*

39. BENEFITS OF DIRECTORS (continued)

(a) Salaries and other benefits included basic salaries, housing and other allowances and benefits-in-kind.

(b) Bonuses were not contractual but were discretionarily provided based on the Directors' performance. The amount of entitlement was subject to approval by the Remuneration Committee of the Company.

(c) The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "**Expected Retention Rate**") of the shares option scheme and share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2022, the Expected Retention Rate was assessed to be 100% (2021: 100%).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. BALANCE SHEET OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Interests in subsidiaries	42	**101,470**	101,470
Amounts due from subsidiaries	42	**933,164**	934,269
		1,034,634	1,035,739
Current assets			
Amounts due from subsidiaries	42	**4,045,924**	4,258,172
Other receivables and prepayments		**12,584**	20,871
Cash and cash equivalents		**99**	11,623
		4,058,607	4,290,666
Current liabilities			
Accruals and other payables		**26,781**	31,580
Bank and other borrowings		**2,262,552**	286,668
Income tax payable		**55,830**	55,830
		2,345,163	374,078
Net current assets		**1,713,444**	3,916,588
Total assets less current liabilities		**2,748,078**	4,952,327
Non-current liabilities			
Bank and other borrowings		**1,512,042**	2,904,772
		1,512,042	2,904,772
Net assets		**1,236,036**	2,047,555
Capital and reserves			
Share capital	29	**26,092**	26,092
Other reserves	41	**2,018,255**	1,973,181
(Accumulated losses)/retained earnings	41	**(808,311)**	48,282
Total equity		**1,236,036**	2,047,555

On behalf of the Board

JIN Zhifeng	**WANG Chenghua**
Director	*Director*

41. RESERVES OF THE COMPANY

	Notes	Share premium RMB'000	Contributed surplus reserve RMB'000	Share- based payment reserve RMB'000	Shares held for share award scheme reserve RMB'000	Other reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2021		579,406	1,112,196	44,382	(123,242)	–	30,155	1,642,897
Issue of shares: exercise of share options	29(i), 33	10,281	–	(3,623)	–	–	–	6,658
Issue of shares: share placing	29(ii)	351,211	–	–	–	–	–	351,211
Employee share option and share award schemes	33, 34	–	–	6,640	–	–	–	6,640
Reallocation of lapsed options from share-based payment reserve to accumulated losses	33	–	–	(372)	–	–	372	–
Shares transferred to employee under share award schemes	34	–	–	(24,023)	20,325	–	3,698	–
Dividends received under the share award scheme		–	–	–	–	–	2,853	2,853
Final dividend for 2020	12	–	–	–	–	–	(210,824)	(210,824)
Profit for the year		–	–	–	–	–	222,028	222,028
As at 31 December 2021 and at 1 January 2022		**940,898**	**1,112,196**	**23,004**	**(102,917)**	**–**	**48,282**	**2,021,463**
Employee share option and share award schemes	33, 34	**–**	**–**	**225**	**–**	**–**	**–**	**225**
Reallocation of lapsed options from share-based payment reserve to accumulated losses	33	**–**	**–**	**(2,398)**	**–**	**–**	**2,398**	**–**
Shares transferred to employee under share award schemes	34	**–**	**–**	**(15,400)**	**17,161**	**–**	**(1,761)**	**–**
Cancellation of share award scheme	34	**–**	**–**	**(2,746)**	**85,756**	**(37,524)**	**(42,699)**	**2,787**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(814,531)**	**(814,531)**
At 31 December 2022		**940,898**	**1,112,196**	**2,685**	**–**	**(37,524)**	**(808,311)**	**1,209,944**

42. PRINCIPAL SUBSIDIARIES

	Note	2022 RMB'000	2021 RMB'000
Interests in subsidiaries – non-current portion			
Unlisted investments, at cost	*(a)*	**101,470**	101,470
Amounts due from subsidiaries			
Amounts due from subsidiaries	*(b)*	**5,007,692**	5,221,045
Less: Provision for impairment loss		**(28,604)**	(28,604)
		4,979,088	5,192,441
		5,080,558	5,293,911

42. PRINCIPAL SUBSIDIARIES (continued)

Notes:

(a) Details of the Company's principal operating subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital		Percentage of equity interest held by the Company				Principal activities
		2022	2021	2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	
重慶核盛房地產開發有限公司 (Chongqing Hesheng Real Estate Development Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	–	97%	–	100%	Property development in the PRC
重慶之遠地產有限公司 (Chongqing Zhiyuan Property Company Limited)*#	PRC	RMB40,820,000	RMB40,820,000	–	73.7%	–	76%	Property development in the PRC
Fine Luck Group Limited	BVI	US$1	US$1	100%	–	100%	–	Investment holding
廣西眾擎易舉投資有限公司 *(Note(i))* (Guangxi Zhongqing Yiju Investment Company Limited)* ("**Zhongqing Yiju**")	PRC	RMB60,000,000	RMB60,000,000	–	38.8%	–	40%	Property development in the PRC
廣州市創豪譽置業有限公司 (Guangzhou Chuanghaoyu Realty Company Limited)*	PRC	US$6,000,000	US$6,000,000	–	98%	–	100%	Investment holding and property leasing
廣州海涌房地產有限公司 (Guangzhou Haiyong Property Limited)*	PRC	RMB100,000,000	RMB100,000,000	–	86.2%	–	88%	Property development in the PRC
廣州市天鳳有限責任公司 (Guangzhou Tianfeng Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	–	77.6%	–	80%	Property development in the PRC
廣州市天譽物業管理有限公司 (Guangzhou Tianyu Property Management Company Limited)*	PRC	RMB53,000,000	RMB53,000,000	–	99%	–	100%	Property management services
廣州市天譽科技創新投資有限公司 (Guangzhou Tianyu Technology Innovative Company Limited)*	PRC	RMB800,000	RMB800,000	–	99%	–	100%	Provision of innovative technology operating services
廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited)*	PRC	US$100,000,000	US$100,000,000	–	100%	–	100%	Property development in the PRC
廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited)*	PRC	US$103	HK$154,239,363	–	97%	–	100%	Investment holding and provision of property development project management services in the PRC

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(a) Details of the Company's principal operating subsidiaries as at 31 December 2022 and 2021 are as follows: (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital 2022	2021	Percentage of equity interest held by the Company 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
廣州粵威環保實業有限公司 (Guangzhou Yuewei Environmental Enterprise Company Limited)*	PRC	US$11,327,455	US$11,327,455	–	**99.1%**	–	100%	Property development in the PRC
Guangzhou Zhoutouzui Development Limited	Hong Kong	HK$100	HK$100	–	**100%**	–	100%	Investment holding
桂林荔蒲天譽文旅投資有限公司 (Guilin Lipu Tianyu Wenlu Investment Company Limited)*	PRC	–	–	–	**97%**	–	100%	Property development in the PRC
江西新好景實業發展有限公司 (Jiangxi Xinhaojing Industrial Development Company Limited)*	PRC	RMB30,000,000	RMB30,000,000	–	**64.2%**	–	65.5%	Property development in the PRC
昆明創澳置業有限公司 (Kunming Chuangao Realty Company Limited)*	PRC	RMB88,000,000	RMB88,000,000	–	**90%**	–	90%	Property development in the PRC
南寧天譽巨成置業有限公司 (Nanning Tianyu Jucheng Realty Company Limited)*	PRC	RMB8,000,000	RMB50,000,000	–	**77.6%**	–	80%	Property development in the PRC
南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited)* (**"Tianyu Jurong"**)	PRC	RMB1,177,625,000	RMB1,177,625,000	–	**77.6%**	–	80%	Property development in the PRC
南寧天譽新景置業有限公司 (Nanning Tianyu Xinjing Realty Company Limited)*	PRC	–	–	–	**78.4%**	–	80%	Property development in the PRC
深圳市新圍房地產開發有限公司(Shenzhen Xinwei Property Development Company Limited)*	PRC	RMB50,000,000	RMB50,000,000	–	**98%**	–	100%	Property development in the PRC
Skyfame International Holdings Limited	BVI	US$100	US$100	–	**100%**	–	100%	Provision of financing

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(a) Details of the Company's principal operating subsidiaries as at 31 December 2022 and 2021 are as follows: (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital 2022	2021	Percentage of equity interest held by the Company 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
Skyfame Investments Management Limited	Hong Kong	HK$100,000,000	HK$100,000,000	**100%**	**–**	100%	–	Provision of management services to group entities and investment holding
Waymax Investments Limited	Hong Kong	HK$1	HK$1	**–**	**100%**	–	100%	Property investments
Winprofit Investment Enterprises Limited	BVI	US$100	US$100	**100%**	**–**	100%	–	Investment holding
徐州嘉譽置業有限公司 (Xuzhou Jiayu Realty Company Limited)*	PRC	US$35,000,000	US$35,000,000	**–**	**77.6%**	–	89.8%	Property development in the PRC
徐州譽城置業有限公司 (Xuzhou Yucheng Realty Company Limited)*	PRC	RMB55,000,000	RMB55,000,000	**–**	**70%**	–	70%	Property development in the PRC
徐州建譽置業有限公司 (Xuzhou Jianyu Realty Company Limited)*	PRC	RMB113,500,000	RMB113,500,000	**–**	**78%**	–	78%	Property development in the PRC
中山市天譽萬利房地產開發有限公司 (Zhongshan Tianyu Wanli Property Development Company Limited)*	PRC	RMB1,000,000	RMB1,000,000	**–**	**50%**	–	51%	Property development in the PRC
珠海市豪浚房地產開發有限公司 (Zhuhai Haojun Property Development Company Limited)*	PRC	RMB10,000,000	RMB10,000,000	**–**	**77.6%**	–	80%	Property development in the PRC

* English name is for identification purpose only

\# The Group is intended to dispose 73.73% equity interest in the subsidiary, and the assets and liabilities of the subsidiary has been reclassified as held for sale (Note 24).

(i) Zhongqing Yiju is accounted for as in accordance with the memorandum and articles of the entity and shareholders' agreement to acting in concert with each other. The Group is able to exercise control of the entity and thus it is regarded as a subsidiary of the Group.

(b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(c) Non-wholly owned subsidiaries with material non-controlling interests

Zhongqing Yiju and Tianyu Jurong have non-controlling interests that are material to the Group as at 31 December 2022. The non-controlling interests in respect of the remaining subsidiaries are not material to the Group individually.

The financial information of Zhongqing Yiju and Tianyu Jurong before inter-company eliminations set out below.

Summarised balance sheets

	Zhongqing Yiju		**Tianyu Jurong**	
				(Note)
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**1,063,709**	1,364,027	**12,777,872**	12,193,128
Current liabilities	**(397,942)**	(591,123)	**(6,236,713)**	(6,207,435)
Current net assets	**665,767**	772,904	**6,541,159**	5,985,693
Non-current assets	**199,236**	167,152	**576,755**	1,042,940
Non-current liabilities	**(191,732)**	(172,354)	**(5,386,519)**	(4,483,710)
Non-current net assets	**7,504**	(5,202)	**(4,809,764)**	(3,440,770)
Net assets	**673,271**	767,702	**1,731,395**	2,544,923
Accumulated non-controlling interests of the Group	**403,962**	460,621	**418,156**	440,106

Summarised statements of comprehensive income

	Zhongqing Yiju		**Tianyu Jurong**	
	2022	2021	2022	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**206,406**	3,339,178	**86,720**	1,356,846
Profit for the year	**(98,433)**	468,496	**(300,058)**	219,758
Total comprehensive income	**(98,433)**	468,496	**(300,058)**	219,758
Profit allocated to non-controlling interests of the Group	**(59,060)**	281,098	**(60,012)**	40,106

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(c) Non-wholly owned subsidiaries with material non-controlling interests *(continued)*

Summarised statements of cash flows

	Chongqing Yiju		Tianyu Jurong	
	2022	2021	**2021**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash flows from operating activities	**(849,336)**	(357,270)	**(2,126,123)**	41,625
Cash flows from investing activities	**786,424**	276,242	**828,784**	12,450
Cash flows from financing activities	**–**	–	**887,664**	186,825
Net (decrease)/increase in cash and cash equivalents	**(62,912)**	(81,028)	**(409,675)**	240,900

Note: On 8 July 2021, the Group entered into a capital increase agreement and pursuant to which Zhangzhou Tanglin Real Estate agreed to make a capital contribution for 20% equity interest of Tianyu Jurong. Upon completion of capital contribution, Tianyu Jurong would be owned as to 80% by the Group and 20% by the non-controlling shareholders. Tianyu Jurong remained a subsidiary of the Company.

FIVE YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group:

	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
For the year ended 31 December					
Revenue	**2,069,989**	7,662,876	7,702,150	6,591,043	6,191,763
(Loss)/Profit before income tax	**(3,844,379)**	683,447	1,919,867	1,579,850	1,644,102
Income tax credit/(expense)	**249,690**	(573,979)	(916,855)	(747,868)	(823,346)
(Loss)/Profit for the year	**(3,594,689)**	109,468	1,003,012	831,982	820,756
Attributable to					
– Owners of the Company	**(3,491,272)**	(284,209)	950,900	792,258	751,315
– Non-controlling interests	**(103,417)**	393,677	52,112	39,724	69,441
	(3,594,689)	109,468	1,003,012	831,982	820,756
FINANCIAL POSITION					
At 31 December					
Total assets	**25,965,211**	30,776,471	29,061,741	22,851,765	21,236,989
Total liabilities	**(24,258,100)**	(25,156,763)	(24,266,983)	(19,101,719)	(17,933,430)
Net assets	**1,707,111**	5,619,708	4,794,758	3,750,046	3,303,559
Non-controlling interests	**(1,106,701)**	(1,392,364)	(447,054)	(210,873)	(390,134)
Equity attributable to owners of the Company	**600,410**	4,227,344	4,347,704	3,539,173	2,913,425

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Location	Project type	Status	Actual/ Expected completion year	Estimated project gross floor area ("GFA") *(sq.m.)*	Estimated undelivered saleable GFA at 31.12.2022 *(sq.m.)*	Effective equity interest % held	Market value in existing state *RMB'000*	Market value attributable to the Group *RMB'000*	Carrying book value *RMB'000*	Carrying book value attributable to the Group *RMB'000*
(A) Details of the Group's properties under development and properties held for sale (including in assets of a disposal subsidiary classified as held for sale) at 31 December 2022 are as follows:										
In Guangdong-Hong Kong-Macao Greater Bay Area:										
1. Guangzhou Skyfame Byland, Haizhu District, Guangzhou	Residential & commercial	Completed	2017 & 2019	315,000	24,000	100.0%	**1,415,000** *(Note 1)*	**1,415,000**	711,187	711,187
2. Shenzhen Skyfame Health Smart City, Guangming District, Shenzhen	Serviced apartment & commercial	Construction in progress	2025	183,000	128,000	98.0%	**1,803,000** *(Note 1)*	**1,766,900**	1,788,800	1,753,024
3. Zhongshan Skyfame Rainbow, West District, Zhongshan	Residential & ancillary commercial	Completed	2020	105,000	–	77.6%	**3,000** *(Note 1)*	**2,300**	1,996	1,549
4. Skyfame Zhuhai Bay, Pingshan New Town, Zhuhai	Residential & ancillary commercial	Construction in progress	2023 – 2024	298,000	212,000	77.6%	**1,585,000** *(Note 1)*	**1,230,000**	1,585,000	1,229,960
In Southern Region:										
5. Nanning Skyfame Garden, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2016 – 2018	1,202,000	18,000	77.6%	**276,000** *(Note 1)*	**214,200**	19,591	15,203
6. Nanning Skyfame ASEAN Maker Town, Wuxiang New District, Liangqing District, Nanning	Composite development	Completed/ Construction in progress	2018 – 2026	1,305,000	231,000	77.6%	**1,848,000** *(Note 1)*	**1,434,000**	592,912	460,100
7. Nanning Spiritual Mansions, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2020 – 2022	749,000	25,000	38.8%	**155,000** *(Note 1)*	**60,100**	155,000	60,140
8. Guilin Lipu Skyfame Jade Valley, Licheng Town, Lipu City, Guilin	Villas, residential & serviced apartments	Construction in progress	2023 – 2025	236,000	230,000	97.0%	**409,000** *(Note 1)*	**396,800**	409,000	396,812
In Eastern Region:										
9. Xuzhou Skyfame Time City, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed	2019 – 2021	470,000	17,000	70.0%	**43,000** *(Note 1)*	**30,100**	25,664	17,965
10. Xuzhou Skyfame Elegance Garden, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed/ Construction in progress	2021 – 2023	205,000	22,000	78.0%	**99,000** *(Note 1)*	**77,200**	67,481	52,635
11. Xuzhou Skyfame Smart City, Quanshan District, Xuzhou	Residential & ancillary commercial	Construction in progress	2023 – 2025	538,000	431,000	88.6%	**1,675,000** *(Note 1)*	**1,483,700**	1,675,000	1,483,715
12. Nanchang Skyfame Fenghuangyue, Anyi County, Nanchang	Residential & ancillary commercial	Completed	2013	119,000	35,000	64.2%	**120,000** *(Note 1)*	**77,000**	114,786	73,681
In Southwestern Region:										
13. Chongqing Skyfame • Smart City, Danzishi, Nanan District, Chongqing	Composite development	Completed/ construction in progress	2017 – 2028	1,195,000	252,000	97.0%	**2,587,000** *(Note 1)*	**2,509,900**	2,387,000	2,315,867
14. Chongqing Skyfame Linxifu, Bishan District, Chongqing	Residential & ancillary commercial	Construction in progress	2023 – 2024	448,000	352,000	74.3%	**1,059,000** *(Note 1)*	**787,000**	1,059,000	787,049
15. Kunming Anning Linxi Valley, Anning, Kunming	Residential & ancillary commercial	Completed/ construction in progress	2022 – 2023	295,000	125,000	40.0%	**655,000** *(Note 1)*	**262,000**	655,000	262,000
16. Kunming Skyfame City, Anning, Kunming	Residential & ancillary commercial	Completed/ construction in progress	2022 – 2027	507,000	326,000	90.0%	**693,000** *(Note 1)*	**623,700**	693,000	623,700
				8,170,000	2,428,000		**14,425,000**	**12,369,900**	11,940,417	10,244,587
In Guangdong-Hong Kong-Macao Greater Bay Area, project will be completed over 3 years:										
17. Guangzhou Fengwei Village Project, Huangpu District, Guangzhou	Residential & ancillary commercial	Construction in progress	2024 – 2030	2,104,000	901,000	77.6%	**N/A**	**N/A**	3,429,283 *(Note 3)*	2,661,124
				10,274,000	3,329,000		**14,425,000**	**12,369,900**	15,369,700	12,905,711

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Location	Usage	Status	Actual/ Expected completion year	Saleable GFA *(sq.m.)*	Effective equity interest % held	Market value in existing state *RMB'000*	Market value attributable to the Group *RMB'000*
(B) Details of the Group's investment properties at 31 December 2022 are as follows:							
1. Apartments in Chongqing Skyfame Smart City, Danzishi, Nanan District, Chongqing	Serviced apartment	Construction in progress	2024	248,800	97.0%	**1,302,000** *(Note 1)*	**1,263,200**
2. 495 retail units in Skyfame Vitality Centre, Nanning Skyfame ASEAN Maker Town, Wuxiang New District, Liangqing District, Nanning	Retail	Completed	2021	50,093	77.6%	**657,000** *(Note 1)*	**509,800**
3. 800 Car parking spaces, Skyfame Byland, Haizhu District, Guangzhou	Car parking	Completed	2017	10,414	100.0%	**486,000** *(Note 1)*	**486,000**
4. Commercial podium, Tianyu Garden Phase 2, Tianhe District, Guangzhou	Office/Retail	Completed	2001	17,343	98.0%	**424,000** *(Note 1)*	**415,500**
5. Office premises, Huancheng HNA Plaza, Tianhe District, Guangzhou	Office	Completed	2016	1,498	98.0%	**52,100** *(Note 1)*	**51,100**
6. Office premises, Capital Centre, Wan Chai, Hong Kong	Office	Completed	1982	577 *(6,216 sq.ft.)*	100.0%	**98,034** *(Note 2)*	**98,034**
				328,725		**3,019,134**	**2,823,634**

Notes:

1. The properties under development/held for sales and investment properties were revalued on an open market value basis by an independent firm of professional valuers, Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., Chartered Surveyors, as at 31 December 2022. Valuation of properties under development is based on the assumptions that the properties will be developed and completed in accordance with the Group's latest development plans, and that all consents, approvals and licences from relevant government authorities have been obtained without onerous condition or delay.

2. The properties were revalued on an open market value basis by an independent firm of professional valuers, CBRE Limited, Chartered Surveyors, as at 31 December 2022.

3. We had not completed the necessary procedures in acquisition of the lands of these projects and had not yet obtained the land use rights certificates as at 31 December 2022.

4. Projects which the Group had not obtained direct rights in development but participated in the projects as joint venture partners or project manager are not included in the above listing.