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 2023

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. YU Pan *(Chairman)*
Mr. JIN Zhifeng *(Chief Executive Officer)*

Non-executive Director:

Ms. WANG Kailing

Independent Non-executive Directors:

Mr. WEN Xiaojing
Mr. CUI Yuan
Ms. TANG Yu

COMPANY SECRETARY

Mr. HUANG Tianbo

AUDIT COMMITTEE

Mr. CUI Yuan *(Chairman)*
Mr. WEN Xiaojing
Ms. TANG Yu

REMUNERATION COMMITTEE

Ms. TANG Yu *(Chairman)*
Mr. WEN Xiaojing
Mr. CUI Yuan
Mr. YU Pan

NOMINATION COMMITTEE

Mr. YU Pan *(Chairman)*
Mr. WEN Xiaojing
Mr. CUI Yuan
Ms. TANG Yu

RISK MANAGEMENT COMMITTEE

Mr. WEN Xiaojing *(Chairman)*
Mr. CUI Yuan
Ms. TANG Yu

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

32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District
Guangzhou, Guangdong Province
the PRC
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2777

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10th Floor, Shun Feng International Centre
No. 182 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

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 CPA Limited
(Formerly known as Moore Stephens CPA Limited)
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 2023 (the "**Year**") and its outlook.

BUSINESS REVIEW

In year 2023, China's real estate market continued to be sluggish. The industry is suffering from serious destocking difficulties. Although the government has introduced various support policies, the confidence of home buyers is still insufficient. The financing environment faced by private real estate companies has not actually improved. The market as a whole continues the downward pressure since last year, and industry confidence is at a low level. The industry continues to face liquidity pressure, and ensuring the delivery of buildings and resolving liquidity risks remain top priorities in the industry.

Although steady development has always been the Group's priority strategy, the Group was not immune but to do its best amid the industry's continued sluggish environment. In year 2023, the Group recorded a total contracted sales of RMB750 million, a decrease of 50% compared to last year; the turnover of properties delivered was RMB1,665.5 million, a decrease of 21% compared with last year; the loss attributable to shareholders was approximately RMB3,489.4 million, more or less same as last year.

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.

FUTURE OUTLOOK

To say from macroscopic view, uncertainty will remain a theme. There is still no end in sight for the Russia-Ukraine war. The extent and frequency of interest rate cuts by the Federal Reserve are still unclear. The momentum of world economic and trade growth has weakened. The momentum of Western countries, led by the United States, to suppress China has not weakened. China's development has entered a period of transformation, uncertainty and unpredictable factors increasing.

In terms of China's real estate industry, the government mainly emphasizes "treating both the symptoms and root causes to resolve real estate risks, accelerating the construction of a new model of real estate development, and promoting the transformation of urban villages." On the demand side, faced with uncertainties in housing prices and income, it is expected that home buyers will still need time to consider the decision of buying property in the short term, we are still not optimistic about the demand for property throughout the year. In terms of supply, it is expected to still be in a phase of gradual reduction in response to the difficulty of market de-escalation, which will be conducive to the long-term rebalancing of real estate supply and demand. In terms of development model, the high turnover model is a thing of the past, and it is expected that new models will still take time to explore to meet the requirements of high-quality development.

The real estate industry has always been a major industry in China's economy. The 1.4 billion Chinese people's yearning for a better life has not changed. The Group still has confidence in the long-term development of the industry. In year 2024, the group will continue to respond calmly, resolve risks, make good use of the project whitelist support policy to ensure the stability of the group's operations; make good use of the urban village renovation support policy, promote the construction progress of the Fengwei Village old renovation project in Huangpu District, Guangzhou, and strive to achieve sales collect payments; continue to resolutely carry out asset disposal jobs, seize market opportunities, and vigorously promote cash collection. At the same time, the Group continues to maintain active communication with creditors and promotes debt restructuring to achieve the best interests of creditors and stakeholders.

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, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW

In 2023, China's real estate market continues to slump. Home buyers continue to stay away from the property market due to factors such as unstable income expectations, falling housing prices, policy adjustments and uncertain prospects, causing developers to generally encounter difficulties in selling products. Despite the various support policies introduced by the government, developers are still facing a severe market financing environment, refinancing is still difficult, there is no actual improvement in new financing, and the liquidity pressure of most peers in the market is still huge. Guaranteed delivery of property is still a priority for developers.

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 experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the year of 2023, the Group achieved contracted sales totaling RMB750 million, declined by 50% 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 Bermuda Court for the appointment of "light touch" provisional liquidators 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, 31 October 2022, 6 February 2023, 2 May 2023, 31 July 2023, 9 October 2023 and 4 February 2024 in relation to the appointment of the joint provisional liquidators (the "**JPLs**") and the petition for the winding up of the Company (the "**Petition**"). In most recently, the Chief Justice of the Commercial Court of the Supreme Court Bermuda adjourned the hearing of the Petition to Friday, 7 June 2024 (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 2023, the Group recorded contracted sales totaling RMB750 million (2022: RMB1,500 million). 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 2024 and 2025 when the subject properties are delivered.

A. BUSINESS REVIEW (continued)

The turnover of properties delivered in 2023 was RMB1,665 million (2022: RMB2,121 million), declined by 21% when compared with the figures of the last year. The Group delivered aggregate GFA of 212,000 sq.m. (2022: 268,000 sq.m.). The Group had twelve projects (2022: nine) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Skyfame Zhuhai Bay, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden, Nanchang Skyfame Fenghuangyue, Chongqing Skyfame • Smart City, Kunming Anning Linxi Valley and Kunming Skyfame City.

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

Project	Recognized Sales Gross Amount *RMB'million*	GFA Delivered *sq.m.*
Guangzhou Skyfame Byland	26	2,000
Zhongshan Skyfame Rainbow	2	–
Skyfame Zhuhai Bay	748	68,000
Nanning Skyfame Garden	2	1,000
Nanning Skyfame ASEAN Maker Town	71	1,000
Nanning Spiritual Mansions	6	3,000
Xuzhou Skyfame Time City	12	3,000
Xuzhou Skyfame Elegance Garden	37	10,000
Nanchang Skyfame Fenghuangyue	1	–
Chongqing Skyfame • Smart City	63	7,000
Kunming Anning Linxi Valley	389	68,000
Kunming Skyfame City	308	49,000
Total in year 2023	1,665	212,000

B. PROPERTY PORTFOLIO

As at 31 December 2023, we have project portfolio and potential land reserves in aggregate GFA of 25 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 seventeen real estate development projects in mainland China of which seven have been completed and the others under construction or for imminent development, together with project that we have minority interests or in joint venture arrangement in which 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 eighteen projects, either completed, under construction or for future development. As at 31 December 2023, all these projects render a total GFA of approximately 9.9 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	127,000	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	–	2026	99%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	–	2026	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	98%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	68,000	2023–25	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	943,000	2016–18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	767,000	2018–26	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	561,000	2020–22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2024–26	97%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	381,000	2019–21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	141,000	2021–23	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	431,000	–	2024–25	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	962,000	474,000	2017–28	97%
Chongqing Skyfame Linxifu *(note d)*	Chongqing	Residential & ancillary commercial	–	–	–	–	–
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	240,000	183,000	2022–24	*(note b)*
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	112,000	2022–27	90%
Sub-total – developed by subsidiaries			**9,948,000**	**7,089,000**	**3,918,000**		
Co-operation projects *(note c)*			**336,000**	**222,000**			
Total			**10,284,000**	**7,311,000**			

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.

(d) 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 owned subsidiary of the Company with effective interest of 73.73% and the said disposal was completed in the year 2023.

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-used 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 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, deposits 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. The construction has been commenced.

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 up to 31 December 2023, 86,000 sq.m. has been delivered to buyers.

(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 298,000 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 2025. Up to 31 December 2023, a total saleable GFA of 68,000 sq.m. has been delivered to buyers.

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 2023, a total saleable GFA of 943,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the youth community operation of the "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. 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 are scheduled to be completed by phases up to 2026. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2023, residential and commercial units of saleable GFA of 767,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 280,000 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 2024 onwards until 2026.

(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. The entire project has been completed and up to 31 December 2023, a total saleable GFA of 561,000 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 has been commenced and delivery is expected to be in 2024 to 2026.

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 entire project has been completed, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 381,000 sq.m. delivered up to 31 December 2023.

(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.). The project was developed into residential and ancillary commercial development, and the entire project has been completed. Up to 31 December 2023, saleable GFA of 141,000 sq.m. has been delivered to buyers.

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

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 2024 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 up to 31 December 2023, 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.

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 2023, aggregate saleable GFA of 474,000 sq.m. has been delivered to the buyers.

(16) 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. The construction has been completed by phase. Up to 31 December 2023, aggregate saleable GFA of 183,000 sq.m. has been delivered to the buyers.

B. PROPERTY PORTFOLIO (continued)

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

In Southwestern Region of China: (continued)

(17) 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.). The construction is expected to be completed by phase until year of 2027. Up to 31 December 2023, aggregate saleable GFA of 112,000 sq.m. has been delivered to the buyers.

2. Co-operation project

As of 31 December 2023, 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 3.0 million sq.m.. Investments made on these projects are included as "Other receivables, deposits 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 14.7 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 2023, the Group holds five investment properties (2022: six) in an aggregate GFA of approximately 328,100 sq.m. at aggregated fair values of RMB2,840.6 million in Chongqing, Nanning and Guangzhou 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 RMB1,265.0 million as at 31 December 2023 (2022: RMB1,302.0 million).

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

   Total GFA of 50,000 sq.m. is being built by the project company for leasing 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 are being built. The property, carries an open market value of RMB643.0 million as at 31 December 2023 (2022: RMB657.0 million).

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

   800 car parking spaces were leased to a management company for fixed monthly rent in prior years and currently is vacant. These car parking spaces carry an open market value of RMB470.0 million as at 31 December 2023 (2022: RMB486.0 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 RMB415.0 million as at 31 December 2023 (2022: RMB424.0 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 2023. The open market values of the premises as of 31 December 2023 are RMB47.6 million (2022: RMB52.1 million).

D. BUSINESS OUTLOOK

On the macro front, uncertainty will remain a theme. There is still no end in sight for the Russia-Ukraine war. The extent and frequency of interest rate cuts by the Federal Reserve are still unclear. The momentum of world economic and trade growth has weakened. The momentum of Western countries, led by the United States, to suppress China has not weakened. China's development has entered a period of transformation, uncertainty and unpredictable factors increasing.

In terms of China's real estate industry, the government mainly emphasizes "treating both the symptoms and root causes to resolve real estate risks, accelerating the construction of a new model of real estate development, and promoting the transformation of urban villages." On the demand side, faced with uncertainties in housing prices and income, it is expected that home buyers will still need time in the short term to consider the decision of buying property. We are still not optimistic about the demand for property throughout the year. In terms of supply, it is expected to still be in a phase of gradual reduction in response to the difficulty of market de-escalation, which will be conducive to the long-term rebalancing of real estate supply and demand. In terms of development model, the high turnover model is a thing of the past, and it is expected that new models will still take time to explore to meet the requirements of high-quality development.

The real estate industry has always been a major industry in China's economy. The1.4 billion Chinese people's yearning for a better life has not changed. The Group still has confidence in the long-term development of the industry. In 2024, the Group will continue to respond calmly, resolve risks, make good use of the project whitelist support policy to ensure the stability of the group's operations; make good use of the urban village renovation support policy, promote the construction progress of the Fengwei Village old renovation project in Huangpu District, Guangzhou, and strive to achieve collection of sales payments; continue to resolutely carry out asset disposal work, seize market opportunities, and vigorously promote cash collection. At the same time, the Group continues to maintain active communication with creditors and promotes debt restructuring to achieve the best interests of creditors and stakeholders.

E. FINANCIAL REVIEW

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB1,530.0 million for the year (2022: RMB1,949.1 million). During the year, the Group had delivered GFA totaling approximately 212,000 sq.m. of properties in twelve projects (2022: 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, Xuzhou Skyfame Elegance Garden, Kunming Anning Linxi Valley, Kunming Skyfame City, Nanchang Skyfame Fenghuangyue, Skyfame Zhuhai Bay and Chongqing Skyfame • Smart City.

Gross deficit on property sales for the year is 9.0% (2022: gross deficit of 13.1%). 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 RMB18.3 million (2022: RMB23.2 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou 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 2024 to 2026.

Operating expenses

Sales and marketing expenses amounted to RMB170.5 million for the year, a decrease of 3.0% compared to RMB175.8 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 RMB492.6 million (2022: RMB420.0 million), increased by 17.3% 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 RMB137.0 million for the year (2022: RMB207.4 million) of which RMB25.4 million (2022: RMB36.6 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 costs was reduced by 33.94% which mainly contributed by the reduction of number of staff by 29.56% at year end.

E. FINANCIAL REVIEW (continued)

Finance cost – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,259.4 million (2022: RMB1,237.4 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 RMB1,134.4 million (2022: RMB764.9 million) charged against the operating results for the year related to general borrowing interest not qualified for capitalisation. Finance costs also included interest incurred on lease liabilities amounted to RMB20.5 million (2022: RMB19.4 million) and foreign exchange loss on financing activities of RMB68.0 million (2022: RMB323.7 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 RMB38.4 million (2022: RMB45.3 million) on properties sold for the year, provision of RMB15.7 million (2022: RMB6.2 million) for corporate income tax on assessable earnings for the year and the deferred tax totaling RMB226.6 million (2022: deferred tax credit totaling RMB301.2 million).

Loss for the year

Loss for the year was approximately RMB3,854.0 million (2022: RMB3,594.7 million).

Loss for the year included RMB3,489.4 million loss attributable to owners of the Company (2022: RMB3,491.3 million) and RMB364.6 million (2022: RMB103.4 million) loss attributable to non–controlling interests.

In 2023, 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 gross loss margin 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 prepayment and 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

	Change in%	2023 RMB'000	2022 RMB'000
Total assets	–19.9%	**20,790,405**	25,965,211
Net (liabilities)/assets	N/A	**(2,194,794)**	1,707,111

Total assets of the Group amounted to RMB20,790.4 million (2022: RMB25,965.2 million), a 19.9% decrease from last year. Properties under development, at carrying value of RMB11,250.5 million, is the biggest asset category, constituting 54.1% of the total assets of the Group. Total assets also include investment properties of RMB2,626.6 million, properties held for sale totaling RMB2,315.8 million, property, plant and equipment, right-of-use assets totaling RMB267.6 million, other receivables, deposits and prepayments totaling RMB3,538.3 million, restricted cash of RMB210.8 million and cash and cash equivalents of RMB52.7 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 JPLs 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 7 June 2024 (Bermuda time).

E. FINANCIAL REVIEW (continued)

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB12,620.4 million as at 31 December 2023, increased by 10.4% from the balance of RMB11,436.4 million as at 31 December 2022. 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 RMB12,555.8 million (2022: RMB11,340.8 million).

The cash level (excluded restricted cash secured for the payment of construction cost of related properties) at the year-end date decreased to RMB64.7 million at 31 December 2023 (2022: RMB95.6 million).

Current assets aggregated to RMB12,566.6 million as at 31 December 2023 (2022: RMB21,982.1 million), a decrease of 42.8% from last year. Current liabilities at the year-end date amounted to RMB17,623.6 million (2022: RMB19,009.1 million).

The current ratio is slightly decreased to 0.7 times as at 31 December 2023 (2022: 1.2 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly properties held 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 2023, 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 2023, aggregate outstanding balances of these secured borrowings amounted to RMB7,657.3 million (2022: RMB7.169.6 million).

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB17.8 billion (2022: RMB14.9 billion) as at 31 December 2023. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

F. CONTINGENT LIABILITIES, PROVISION AND LITIGATIONS

As at 31 December 2023 and 2022, 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. The management is proactively communicating with the creditors striving to resolve the litigations through settlement by agreements.

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 2023, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB7,248.6 million, representing 57.4% of total borrowings. 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 2023, RMB has depreciated 1.4% and 1.7% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB68 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts.

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 most important ones at present are the risks of difficulties in selling products and liquidation. Home buyers are staying away from the property market due to falling property prices, policy changes and lack of confidence in prospects, making it difficult for developers to obtain operating cash sources. At the same time, the company is promoting overseas debt restructuring and faces the risk of liquidation lawsuits from investors from time to time. To relieve the risks resulting from above, our management is placing specific care about the controlling of financial resources and development plans, and actively maintains communication with investors to promote overseas debt restructuring plans. 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 2023, including two executive directors of the Company, the Group employed a total of 591 full-time staff, of which 106 work in site offices, 73 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 412 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) 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 2023 (the "**Disclaimer of Opinion**"), the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report of the annual report.

Management's position, view and assessment on the Disclaimer of 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 plans and measures as set out in note 2.1(c) to the consolidated financial statements 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 2023. 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 below. Should the Group failed to achieve below-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.

J. GOING CONCERN (continued)

Management's position, view and assessment on the Disclaimer of Opinion (continued)

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 of 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 of Opinion, 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 of Opinion

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) 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.

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

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

(iv) 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.

(v) 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.

J. GOING CONCERN (continued)

Action plan to address the Disclaimer of Opinion (continued)

(vi) 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.

(vii) 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.

(viii) The Group will continue to reach an amicable solution with settlement proposal to the litigations which have not yet reached a definite outcome at the current stage.

At the same time, the Group will continue to follow up on the debt restructuring that has not yet been completed. As of the date of approval of the consolidated financial statements, the progress is as follows:

(i) The Company has been working closely with its legal and financial advisors and the JPLs to formulate a viable debt restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all shareholders. Over the past few months, the Company, its respective creditors and advisors have been engaged in construction discussion towards a consensual debt restructuring.

(ii) On 29 September 2023, the Group entered into the restructuring support agreement (the "**RSA**") with respective creditors in relation to the terms of the debt restructuring. The contemplated debt restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximise value, for all shareholders. The proposed debt restructuring effective date is yet to be determined and it is subject to the approval by the requisite majorities of the relevant Scheme Creditors and pending approval at the scheme meetings of the Scheme Creditors and sanction by the Bermuda Court and the High Court of Hong Kong.

(iii) The proposed debt restructuring schemes entitle the relevant Scheme Creditors to exchange their existing debt claims to notes of six or seven year of maturity (the "**Scheme Notes**") or amended medium-term bonds with maturity date extended for ten years. The Scheme Notes and amended medium-term bonds may be repaid, redeemed, settled and/or offset prior to their respective maturity dates through any or all of the followings: (a) debt-to-equity swap; (b) specified assets disposal; (c) special purpose vehicle debt-to-equity swap; and (d) liquidated specified assets disposal. Details of term of Scheme Notes and amended medium-term bonds are set out in the Company's announcement dated 29 September 2023.

J. GOING CONCERN (continued)

Action plan to address the Disclaimer of Opinion (continued)

(iv) Together with the JPLs, the Group has always maintained active communication with its creditors, and strived to complete the relevant legal procedures for implementing the proposed debt restructuring schemes as soon as possible. The directors are positive in obtaining the requisite support of the Scheme Creditors and completing the proposed debt restructuring schemes.

Certain measures were already being taken up by the Group since 2022 and some of which have been successfully implemented during 2023 which include, amongst the others:

(a) the disposal of an aggregate 80% interest of 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.*) and consideration of which was to offset the amounts due by the Group companies to the purchaser (please refer to the Company's announcement dated 30 December 2022);

(b) the disposal of the office premises at 14th floor, together with two car parking spaces no. 307 and 308 at 3rd floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong and the net proceeds from such disposal was used to repay the outstanding mortgage and revolving loan due by the Company's indirectly owned subsidiary to a local financial institution (please refer to the Company's announcement dated 30 November 2023);

(c) entering into the RSA with the creditors which is a key progress to the proposed debt restructuring;

(d) dismissal of the petition for the winding up of the Company in Hong Kong by an order of the High Court of Hong Kong Special Administrative Region on 28 August 2023 after dialogue with the creditor/petitioner (please refer to the Company's announcement dated 28 August 2023);

(e) adjournment of hearing for the petition for the winding up of the Company in Bermuda to 7 June 2024 (Bermuda time) by order of the Chief Justice of the Commercial Court of the Supreme Court Bermuda;

(f) obtaining proceeds of approximately RMB541 million from bank and other borrowings; and

(g) the ongoing delivery of properties during year 2023.

These plans and measures remain in line with last year's plan and certain of which are still in progress as they require time for consultation, negotiation and solicitation with all parties concerned. Due to the magnitude of debts overdue and number of parties involved, the Company still needs more time to communicate with all parties and perform corresponding procedures. Besides, certain lenders have initiated legal actions against the Group which may increase the complexity and timing of our execution of measures. When the Group is able to resolve each of these matters to a satisfactory level and provide supporting evidence to the Auditor, then the Auditor will consider the removal of the Disclaimer of Opinion in the coming audits of the Company.

* *For identification purpose only*

J. GOING CONCERN (continued)

The Board's (includes the Audit Committee's) view and assessment on the feasibility of the plans and measures in addressing the underlying issue of the Disclaimer of Opinion

These measures are still being implemented continuously and a key specific progress had been achieved during last year, such as the Group entered into the restructuring support agreement with respective creditors in relation to the terms of the debt restructuring on 29 September 2023 which in certain extent reflects the support of creditors in the proposed debt restructuring. Having obtained the support of the creditors, the directors of the Company believe the completion of the proposed debt restructuring have chance to succeed.

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 of Opinion.

The Audit Committee noted that the Board and the management have been working closely with the JPLs and its advisors to complete the proposed debt restructuring schemes aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. The Audit Committee concurred with the Board's view and position.

Impact of the Disclaimer of Opinion on the Company's financial position

Should the Group fail to achieve the above-mentioned plans and measures and complete the proposed debt restructuring schemes, 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, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2023.

K. REMOVAL OF THE DISCLAIMER OF OPINION

As described in note 2.1(c) to the consolidated financial statements, the management of the Company has been undertaking a number of plans and measures and followed up the proposed debt restructuring 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 2024). The Auditor's concern including but not limited to 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 59, 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 and resigned as chief executive officer in April 2023. Mr. YU has over 34 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 *(Chief Executive Officer)*

Aged 60, 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).

NON-EXECUTIVE DIRECTOR

Ms. WANG Kailing

Aged 44, 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 46, 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 39, 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 32, 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 38, 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 58, 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 33 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. CHEN Jianwen
Aged 44, 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 21 years of solid experiences in financial management.

Ms. LIU Yun
Aged 47, 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 26 years of extensive experience in bidding and procurement, budgeting and final costs assessment, contract management and legal affairs.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

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 2023 financial statements, in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). However, please note the following issue:

Code Provision C.2.1 – Chairman and Chief Executive

In order to set out clearer division of responsibilities at the board level and the management team to ensure a more proper segregation of the management of the board of the Company and the management of the Group's business as required pursuant to the code provision C.2.1 in Corporate Governance Code as set out in the Appendix C1 to the Listing Rules, Mr. Yu resigned as the chief executive officer of the Company with effect from 13 April 2023 while remains as an executive Director of the Company and the chairman of the Board to provide his valuable insight and perspective to the Board. Mr. Jin Zhifeng has been appointed as the CEO with effect from 13 April 2023.

BOARD OF DIRECTORS

As at 31 December 2023, the Board comprised six Directors as follows:

Executive Directors

Mr. YU Pan *(Chairman)*
Mr. JIN Zhifeng *(Chief Executive Officer)*

Non-executive Director

Ms. WANG Kailing

Independent Non-executive Directors

Mr. WEN Xiaojing
Mr. CUI Yuan
Ms. TANG Yu

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 2nd amended and restated bye-laws of the Company (the "**Bye-laws**").

BOARD OF DIRECTORS (continued)

The attendance record of Directors and Committee Members in 2023 is as follows:

	Attendance Record of Directors and Committee Members in 2023					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	Annual/ Special General Meeting
Number of meetings held during the year 2023	4	4	1	1	1	2
Executive Directors						
Mr. YU Pan *(Chairman)*	4/4		1/1	1/1		1/2
Mr. JIN Zhifeng *(Chief Executive Officer)*	4/4					2/2
Mr. WANG Chenghua *(Resgined on 2 June 2023)*	2/2					1/1
Non-executive Director						
Ms. WANG Kailing	4/4					2/2
Independent Non-executive Directors						
Mr. WEN Xiaojing	4/4	4/4	1/1	1/1	1/1	2/2
Mr. CUI Yuan	4/4	4/4	1/1	1/1	1/1	2/2
Ms. TANG Yu	4/4	4/4	1/1	1/1	1/1	2/2
Average Attendance Rate	100%	100%	100%	100%	100%	92.3%

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.

To the best knowledge of the Company, there is no financial, business and family relationship amongst the members of the Board.

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 four 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 2023 is set out below:

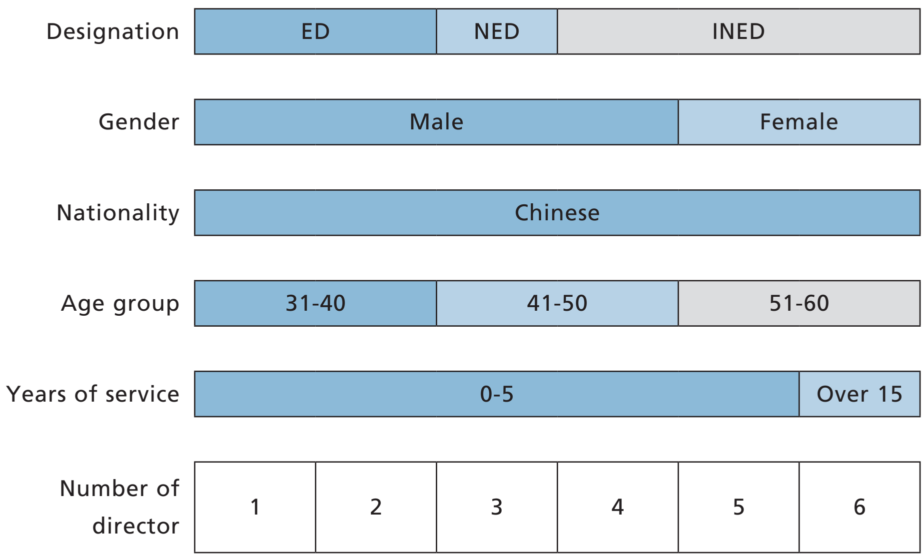
	As of 31 December 2023	
Indicator	**Number of persons**	**Percentage of total number of employees**
Male employees	355	60.07%
Female employees	236	39.93%

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:

Board Diversity



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

Due to the potential interaction of the multiple uncertainties regarding the plans and measures (details please refer to note 2.1(c) 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 2023 (the "**Disclaimer of Opinion**"), the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report of the Annual Report.

Management's position, view and assessment on the Disclaimer of 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 plans and measures as set out in note 2.1(c) to the consolidated financial statements 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 2023. 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 below. Should the Group failed to achieve below-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 of 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 of Opinion, 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.

GOING CONCERN BASIS (continued)

Action plan to address the Disclaimer of Opinion

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) 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.

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

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

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) The Group will continue to reach an amicable solution with settlement proposal to the litigations which have not yet reached a definite outcome at the current stage.

GOING CONCERN BASIS (continued)

Action plan to address the Disclaimer of Opinion (continued)

At the same time, the Group will continue to follow up on the debt restructuring that has not yet been completed. As of the date of approval of the consolidated financial statements, the progress is as follows:

(i) The Company has been working closely with its legal and financial advisors and the joint provisional liquidators (the "**JPLs**") to formulate a viable debt restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all shareholders. Over the past few months, the Company, its respective creditors and advisors have been engaged in construction discussion towards a consensual debt restructuring.

(ii) On 29 September 2023, the Group entered into the restructuring support agreement (the "**RSA**") with respective creditors in relation to the terms of the debt restructuring. The contemplated debt restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximise value, for all shareholders. The proposed debt restructuring effective date is yet to be determined and it is subject to the approval by the requisite majorities of the relevant Scheme Creditors and pending approval at the scheme meetings of the Scheme Creditors and sanction by the Bermuda Court and the High Court of Hong Kong.

(iii) The proposed debt restructuring schemes entitle the relevant scheme creditors to exchange their existing debt claims to notes of six or seven year of maturity (the "**Scheme Notes**") or amended medium-term bonds with maturity date extended for ten years. The Scheme Notes and amended medium-term bonds may be repaid, redeemed, settled and/or offset prior to their respective maturity dates through any or all of the followings: (a) debt-to-equity swap; (b) specified assets disposal; (c) special purpose vehicle debt-to-equity swap; and (d) liquidated specified assets disposal. Details of term of Scheme Notes and amended medium-term bonds are set out in the Company's announcement dated 29 September 2023.

(iv) Together with the JPLs, the Group has always maintained active communication with its creditors, and strived to complete the relevant legal procedures for implementing the proposed debt restructuring schemes as soon as possible. The directors are positive in obtaining the requisite support of the Scheme Creditors and completing the proposed debt restructuring schemes.

Certain measures were already being taken up by the Group since 2022 and some of which have been successfully implemented during 2023 which include, amongst the others:

(a) the disposal of an aggregate 80% interest of 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.) and consideration of which was to offset the amounts due by the Group companies to the purchaser (please refer to the Company's announcement dated 30 December 2022);

(b) the disposal of the office premises at 14th floor, together with two car parking spaces no. 307 and 308 at 3rd floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong and the net proceeds from such disposal was used to repay the outstanding mortgage and revolving loan due by the Company's indirectly owned subsidiary to a local financial institution (please refer to the Company's announcement dated 30 November 2023);

GOING CONCERN BASIS (continued)

Action plan to address the Disclaimer of Opinion (continued)

(c) entering into the RSA with the creditors which is a key progress to the proposed debt restructuring;

(d) dismissal of the Petition for the winding up of the Company in Hong Kong by an order of the High Court of Hong Kong Special Administrative Region on 28 August 2023 after dialogue with the creditor/petitioner (please refer to the Company's announcement dated 28 August 2023);

(e) adjournment of hearing for the petition for the winding up of the Company in Bermuda to 7 June 2024 (Bermuda time) by order of the Chief Justice of the Commercial Court of the Supreme Court Bermuda;

(f) obtaining proceeds of approximately RMB541 million from bank and other borrowings; and

(g) the ongoing delivery of properties during year 2023.

These plans and measures remain in line with last year's plan and certain of which are still in progress as they require time for consultation, negotiation and solicitation with all parties concerned. Due to the magnitude of debts overdue and number of parties involved, the Company still needs more time to communicate with all parties and perform corresponding procedures. Besides, certain lenders have initiated legal actions against the Group which may increase the complexity and timing of our execution of measures. When the Group is able to resolve each of these matters to a satisfactory level and provide supporting evidence to the Auditor, then the Auditor will consider the removal of the Disclaimer of Opinion in the coming audits of the Company.

These measures are still being implemented continuously and a key specific progress had been achieved during last year, such as the Group entered into the restructuring support agreement with respective creditors in relation to the terms of the debt restructuring on 29 September 2023 which in certain extent reflects the support of creditors in the proposed debt restructuring. Having obtained the support of the creditors, the directors of the Company believe the completion of the proposed debt restructuring have chance to succeed.

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 of Opinion.

The Audit Committee noted that the Board and the management have been working closely with the JPLs and its advisors to complete the proposed debt restructuring schemes aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. The Audit Committee concurred with the Board's view and position.

Impact of the Disclaimer of Opinion on the Company's financial position

Should the Group fail to achieve the above-mentioned plans and measures and complete the proposed debt restructuring schemes, 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, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2023.

GOING CONCERN BASIS (continued)

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 of Opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee noted that the Board and the management have been working closely with the JPLs and its advisors to complete the proposed debt restructuring schemes aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. 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 C3 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 2023 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars in relation to tax regulation
Executive Directors		
Mr. YU Pan *(Chairman)*	✓	–
Mr. JIN Zhifeng *(Chief Executive Officer)*	✓	–
Non-executive Director		
Ms. WANG Kailing	✓	–
Independent Non-executive Directors		
Mr. WEN Xiaojing	✓	–
Mr. CUI Yuan	✓	✓
Ms. TANG Yu	✓	–

CORPORATE GOVERNANCE REPORT

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.

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 C1 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 2023, 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).

REMUNERATION COMMITTEE (continued)

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 one meeting in April 2023 to which all the members attended the meeting. The matters discussed mainly is the review of the remuneration policy of the Group's directors and senior management.

Details of the remuneration of each director are set out in the consolidated financial statements on pages 198 to 199 of this annual report.

NOMINATION COMMITTEE

As at 31 December 2023, 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 one meeting in April 2023 and all members attended the meeting. The matters discussed included (i) the review of the size, structure and composition of the Board; and (ii) the recommendation of retiring Directors for re-election in 2023 annual general meeting.

AUDIT COMMITTEE

As at 31 December 2023, 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 four meetings in January, March, August and December 2023 to which all members attended the meetings. The matters discussed in the meetings included: (i) considering and approving the appointment of the new auditor; (ii) reviewing the financial statements of the Company for the year ended 31 December 2022 and the six months ended 30 June 2023 before submission to the Board for approval; (iii) considering the findings disclosed in the bi-annual internal audit reports prepared by the Internal Audit Department; (iv) reviewing and discussing the effectiveness of the Group's internal controls system with the Internal Auditor; and (v) reviewing and discussing the 2023 work plan of Internal Audit Department. The representatives of the external auditor were present at the meetings held in January, March and December 2023 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 2022 and the audit plan for the year ended 31 December 2023. The annual results for the year ended 31 December 2022 and the interim result for the six months ended 30 June 2023 have been reviewed by the Audit Committee before presenting to the Board for approval. In particular, in the meeting held in March 2023, the Audit Committee members have raised concern on the auditor's issue of Disclaimer of Opinion and its impact on the Company's financial statements and the status of the Company's debt restructuring.

AUDITORS' REMUNERATION

PricewaterhouseCoopers resigned as auditor on 19 September 2022. The Company has engaged Moore CPA Limited (Formerly known as Moore Stephens CPA Limited) as the Company's auditor on 18 January 2023.

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	2,400,000
Non-audit services	635,000
	3,035,000

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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

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.

Pursuant to Rule 2.07 of the Listing Rules under the expansion of paperless listing regime and electronic dissemination of corporate communications that came into effect on 31 December 2023, the Company has adopted electronic dissemination of corporate communications (the "**Corporate Communications**"), which mean any documents issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular and (f) a proxy form.

Both the English and Chinese versions of all future Corporate Communications will be available electronically on the Company's website at www.skyfame.com.cn and the HKEXnews website at www.hkexnews.hk in place of printed copies. The Company will not send a notice of publication of Corporate Communications on the Company's website and HKEXnews website to its Shareholders. Shareholders are encouraged to proactively monitor the availability of all future Corporate Communications on the websites and access the website version of Corporate Communications by themselves.

The 2024 annual general meeting is scheduled to be held at 10th Floor, Shun Feng International Centre, No.182 Queen's Road East, Wanchai, Hong Kong at 3:00 p.m. on Friday, 31 May 2024.

CONSTITUTIONAL DOCUMENTS

A special resolution was proposed and passed in the annual general meeting held on 6 June 2023 to amend the Company's then 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, on a one vote per share basis, 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 for transaction of any business or resolution specified in such requisition; and such meeting shall be held in the form of a physical meeting only and 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 may convene such physical meeting in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

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 unless the Company otherwise resolves:

(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;

(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 10th Floor, Shun Feng International Centre, No. 182 Queen's Road East, 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.

CORPORATE GOVERNANCE REPORT

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 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 April 2023 to review the works performed and difficulties encountered by the risk management team during the year 2022. 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 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 2023.

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 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 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 2023, 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 2023. In the internal audits performed in the year, the 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 2023.

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 27 of this annual report and the Group's environmental policies and performance are set out under the section "A. Environmental" on pages 4 to 16 of the Environmental, Social and Governance Report.

There is no important event affecting the Group that has occurred after the year ended 31 December 2023. 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 2023 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 2023 are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

No dividend for the year ended 31 December 2023 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 2023.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2023, the Company's distributable reserves amounted to a deficiency of RMB2,228.0 million (net of the Company's contributed surplus of RMB1,112.2 million). Thus, the Company does not have reserves available for cash distribution to the shareholders of the Company. Nonetheless, the Company's share premium account in the amount of approximately RMB940.9 million 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.

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 8,550,000 share options were cancelled upon the resignation of employees. There were 68,249,933 share options outstanding under the 2015 Scheme as at 31 December 2023.

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 1.6% and 3.4% 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 24.8% and 53.6%, 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

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, resigned as Chief Executive Officer on 13 April 2023)*
Mr. JIN Zhifeng *(Appointed as Chief Executive Officer on 13 April 2023)*
Mr. WANG Chenghua *(Resigned on 2 June 2023)*

Non-executive Director
Ms. WANG Kailing

Independent Non-executive Directors
Mr. WEN Xiaojing
Mr. CUI Yuan
Ms. TANG Yu

In accordance with Bye-law 84(1) of the Bye-laws, Mr. JIN Zhifeng and Mr. WEN Xiaojing 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.

On 22 August 2023, a securities firm has appointed receivers (the "**Receivers**") over the entire issued share capital of Cosmos Tianyu Holdings Limited ("**Cosmos Tianyu**") which directly holds 51.03% interest of the Company as at the date of the approval of the consolidated financial statements. The entire issued share capital of Cosmos Tianyu is held by Sharp Bright International Limited ("**Sharp Bright**") and the entire issued share capital of which is held by Mr. YU Pan. After a written inquiry from the Company, the Company was informed by the Receivers that (i) they have yet to take any action to actively look for a potential purchaser over the controlling stake of shares of the Company currently owned by Cosmos Tianyu; and (ii) they have yet to be in discussion with a potential purchaser over the aforesaid controlling stake of the shares of the Company. Please refer to the Company's announcement dated 24 August 2023 for details.

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 28 to 30 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 2023, 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 C3 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	4,309,880,555 (long) 4,308,297,221 (short) *(note 1)*	51.03% 51.01%
Mr. JIN Zhifeng ("**Mr. JIN**")	Company	Beneficial owner	2,994,000 (long)	0.04%

Notes:

1. These Shares comprised (i) 54,387,334 Shares directly held by Mr. YU; and (ii) 4,255,493,221 existing Shares held directly by Cosmos Tianyu. The entire issued share capital of Cosmos Tianyu was held by 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. On 22 August 2023, a securities firm has appointed the Receivers over the entire issued share capital of Cosmos Tianyu which directly holds 51.03% interest of the Company as at the date of the approval of the consolidated financial statements. The entire issued share capital of Cosmos Tianyu is held by Sharp Bright and the entire issued share capital of which is held by Mr. YU Pan. After a written inquiry from the Company, the Company was informed by the Receivers that (i) they have yet to take any action to actively look for a potential purchaser over the controlling stake of shares of the Company currently owned by Cosmos Tianyu; and (ii) they have yet to be in discussion with a potential purchaser over the aforesaid controlling stake of the shares of the Company. Please refer to the Company's announcement dated 24 August 2023 for details.

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 2023.

Save as disclosed above, as at 31 December 2023, 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 2023, 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. On 22 August 2023, a securities firm has appointed Receivers over the entire issued share capital of Cosmos Tianyu which directly holds 51.03% interest of the Company as at the date of the approval of the consolidated financial statements. The entire issued share capital of Cosmos Tianyu is held by Sharp Bright and the entire issued share capital of which is held by Mr. YU Pan. After a written inquiry from the Company, the Company was informed by the Receivers that (i) they have yet to take any action to actively look for a potential purchaser over the controlling stake of shares of the Company currently owned by Cosmos Tianyu; and (ii) they have yet to be in discussion with a potential purchaser over the aforesaid controlling stake of the shares of the Company. Please refer to the Company's announcement dated 24 August 2023 for details.

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 2023.

Save as disclosed above, as at 31 December 2023, 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

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 2023 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.

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 208 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

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by PricewaterhouseCoopers, while those for the years ended 31 December 2022 and 2023 were audited by Moore CPA Limited who shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore CPA Limited as auditor of the Company.

On behalf of the Board

JIN Zhifeng
Director
Hong Kong, 28 March 2024

INDEPENDENT AUDITOR'S REPORT

MOORE

Moore CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of
Skyfame Realty (Holdings) Limited (Joint Provisional Liquidators Appointed for Restructuring Purpose)
(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 59 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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, during the year ended 31 December 2023, the Group incurred a net loss of approximately RMB3,854,026,000. As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB5,056,966,000 and RMB2,194,794,000, respectively, the Group's total bank and other borrowings (collectively the "**Borrowings**") amounted to approximately RMB12,620,489,000, out of which approximately RMB7,732,814,000 are due within 12 months as of that date. In addition, as disclosed in Note 2.1(c) and Note 27 to the consolidated financial statements, the Group had certain default or cross-defaulted relating to certain Borrowings with an aggregate amount of approximately RMB7,083,728,000 as at 31 December 2023. As at 31 December 2023, the Group had total commitments of approximately RMB6,593,387,000 as disclosed in Note 36 to the consolidated financial statements, while the Group had total bank balances and cash (including restricted cash of approximately RMB210,811,000) of approximately RMB263,505,000. In addition, the Group has been and is being sued by various parties for various reasons for which the Group has further made provision for litigations as disclosed in Note 37 to the consolidated financial statements and was recorded in the current liabilities as at 31 December 2023.

Basis for Disclaimer of Opinion (continued)

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

In order to protect the fair and reasonable interests of all the Company's creditors, the Company had made an application with the Supreme Court of Bermuda ("**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, the joint provisional liquidators were appointed on a light touch approach with limited powers for restructuring purposes.

In addition, during the year ended 31 December 2023, certain banks in Hong Kong and in the PRC had initiated certain legal actions against the Group in respect of bank borrowings. The legal procedures of the enforcement have not been completed as at 31 December 2023. Details of which are disclosed in Note 2.1(c) to the consolidated financial statements.

During the year ended 31 December 2023, the Group entered into a restructuring support agreement (the "**RSA**") with respective creditors, up to the date of approval of the consolidated financial statements, the proposed debt restructuring schemes are yet to be approved by the requisite majorities of the relevant creditors (the "**Scheme Creditors**") and pending approval at the scheme meetings.

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.

As disclosed in Note 2.1(c) 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 completion of the proposed debt restructuring schemes; (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; (vi) settlement of the outstanding litigations regarding overdue secured bank and other borrowings and successful sale of pledged properties or charged shares to repay the defaulted loan; and (vii) successful obtaining 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.

INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion (continued)

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

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, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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 CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**1,632,355**	2,069,989
Cost of sales and services		**(1,716,150)**	(2,275,233)
Gross loss		**(83,795)**	(205,244)
Other (losses)/income and gains – net	6	**(23,514)**	18,810
Sales and marketing expenses		**(170,539)**	(175,796)
Administrative and other expenses		**(492,571)**	(420,042)
Fair value changes in investment properties	15	**(294,500)**	(204,447)
Impairment loss of properties under development and properties held for sale	18, 19	**(928,212)**	(1,169,096)
Impairment loss on interest in a joint venture	16	**(20,162)**	(20,161)
Impairment loss of property, plant and equipment	13	**(1,000)**	(1,669)
Impairment loss of trade receivables, other receivables and deposits	3.1(b)(iii)	**(21,800)**	(116,670)
Impairment loss on prepayments	21(g)	**(155,798)**	–
Impairment loss on amounts due from non-controlling interests	21(b)	**(154,429)**	(117,028)
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)
Loss on disposal of a subsidiary	24, 31	**(7,725)**	(77,361)
Operating loss		**(2,354,045)**	(2,750,016)
Share of loss of a joint venture, net of tax	16	**–**	(3,988)
Share of loss of an associate, net of tax	17	**–**	(641)
Finance costs – net	7	**(1,219,370)**	(1,089,734)
Loss before income tax	8	**(3,573,415)**	(3,844,379)
Income tax (expense)/credit	10	**(280,611)**	249,690
Loss for the year		**(3,854,026)**	(3,594,689)
Other comprehensive loss, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	(138,674)
Total comprehensive loss for the year		**(3,854,026)**	(3,733,363)
Loss for the year attributable to:			
– Owners of the Company		**(3,489,387)**	(3,491,272)
– Non-controlling interests		**(364,639)**	(103,417)
		(3,854,026)	(3,594,689)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(3,489,387)**	(3,629,946)
– Non-controlling interests		**(364,639)**	(103,417)
		(3,854,026)	(3,733,363)
Loss per share			
– Basic and diluted (expressed in RMB)	11	**(0.413)**	(0.414)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	13	**62,686**	112,095
Right-of-use assets	14	**204,928**	216,087
Investment properties	15	**2,626,600**	3,019,134
Interest in a joint venture	16	**–**	20,162
Interest in an associate	17	**–**	89,359
Financial assets at fair value through other comprehensive income ("**FVOCI**")	20	**75,023**	–
Properties under development	18	**4,708,025**	–
Prepayments	21	**352,351**	–
Deferred tax assets	28	**194,144**	526,251
		8,223,757	3,983,088
Current assets			
Properties under development	18	**6,542,436**	11,840,893
Properties held for sale	19	**2,315,754**	2,469,807
Trade receivables	21	**144,934**	181,557
Other receivables, deposits and prepayments	21	**3,185,921**	5,105,497
Contract costs	22	**114,098**	282,207
Restricted cash	23	**210,811**	493,279
Cash and cash equivalents	23	**52,694**	83,644
		12,566,648	20,456,884
Assets of a disposal subsidiary classified as held for sale	24	**–**	1,525,239
		12,566,648	21,982,123
Current liabilities			
Trade payables	25	**23,768**	35,952
Accruals and other payables	25	**5,378,536**	5,437,758
Contract liabilities	26	**2,739,133**	4,165,517
Lease liabilities	14	**17,507**	17,507
Bank and other borrowings	27	**7,732,814**	6,746,359
Income tax payable		**1,731,856**	1,620,398
		17,623,614	18,023,491
Liabilities of a disposal subsidiary classified as held for sale	24	**–**	985,607
		17,623,614	19,009,098
Net current (liabilities)/assets		**(5,056,966)**	2,973,025
Total assets less current liabilities		**3,166,791**	6,956,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank and other borrowings	*27*	**4,887,675**	4,690,058
Lease liabilities	*14*	**212,209**	191,715
Deferred tax liabilities	*28*	**261,701**	367,229
		5,361,585	5,249,002
Net (liabilities)/assets		**(2,194,794)**	1,707,111
Equity			
Share capital	*29*	**26,092**	26,092
Other reserves	*29, 30*	**1,848,821**	1,717,603
Accumulated losses	*30*	**(4,763,890)**	(1,143,285)
(Capital deficiency)/Equity attributable to owners of the Company		**(2,888,977)**	600,410
Non-controlling interests		**694,183**	1,106,701
(Capital deficiency)/Total equity		**(2,194,794)**	1,707,111

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 59 to 207 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

JIN Zhifeng
Director

YU Pan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		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/ (Accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 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 paid to non-controlling interests		–	–	–	–	–	–	–	–	(76,042)	(76,042)
At 31 December 2022 and 1 January 2023		26,092	940,898	2,685	–	(132,578)	906,598	(1,143,285)	600,410	1,106,701	1,707,111
Loss for the year		–	–	–	–	–	–	(3,489,387)	(3,489,387)	(364,639)	(3,854,026)
Total comprehensive loss for the year		–	–	–	–	–	–	(3,489,387)	(3,489,387)	(364,639)	(3,854,026)
Transaction with owners:											
Reallocation of lapsed options from share-based payment reserve to accumulated losses	33	–	–	(1,360)	–	–	–	1,360	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	5,662	5,662
Disposal of a subsidiary	24	–	–	–	–	–	–	–	–	(57,218)	(57,218)
Distributions refunded from non-controlling interests		–	–	–	–	–	–	–	–	3,677	3,677
Transfer of reserve		–	–	–	–	132,578	–	(132,578)	–	–	–
At 31 December 2023		26,092	940,898	1,325	–	–	906,598	(4,763,890)	(2,888,977)	694,183	(2,194,794)

These reserve accounts comprise the consolidated other reserve of approximately RMB1,848,821,000 (2022: RMB1,717,603,000) in the consolidated statement of financial position.

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 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**108,327**	(2,369,495)
PRC corporate income tax paid		**(2,116)**	(16,134)
PRC land appreciation tax paid		**(8,970)**	(83,687)
Net cash generated from/(used in) operating activities	*35(a)*	**97,241**	(2,469,316)
Cash flows from investing activities			
Interest received		**3,545**	18,163
Proceeds from partial disposal of a subsidiary, net of cash disposed of	*31*	**–**	224,999
Disposal of a subsidiary, net of cash disposed of	*24*	**(39,432)**	–
Purchases of property, plant and equipment	*13*	**(3,091)**	(507)
Repayments from non-controlling interests of subsidiaries		**13,490**	38,372
Net cash (used in)/generated from investing activities		**(25,488)**	281,027
Cash flows from financing activities			
Repayment of cash advance from related parties		**–**	(4,006)
Proceeds from bank and other borrowings	*35(b)*	**541,349**	1,838,576
Repayments of bank and other borrowings	*35(b)*	**(218,575)**	(2,441,883)
Interest and other borrowing costs paid	*35(b)*	**(448,157)**	(673,465)
Capital injections from non-controlling interests		**5,663**	36,750
Decrease in restricted cash		**–**	2,300,000
Distribution refunded from/(paid to) non-controlling interests		**3,677**	(76,042)
Net cash (used in)/generated from financing activities		**(116,043)**	979,930
Net decrease in cash and cash equivalents		**(44,290)**	(1,208,359)
Effect of exchange rate changes on cash and cash equivalents		**13,340**	(30,916)
Cash and cash equivalents at beginning of year		**83,644**	1,331,042
		52,694	91,767
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*	**52,694**	83,644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

On 22 August 2023, Mr. Chan Leung Lee and Mr. Yuen Tze Chun, Frank of Frank Forensic and Corporate Recovery Limited were appointed by China Securities Limited ("**CSL**") as joint and several receivers over the entire issued shares of Cosmos Tianyu Holdings Limited ("**Cosmos Tianyu**"), the Company's immediate holding company (collectively the "**Charged Shares**") pursuant to a share charge executed by Sharp Bright International Limited ("**Sharp Bright**"), the Company's ultimate holding company as charger in favour of CSL.

The receivership over the Charged Shares may result in the sale of the Charged Shares to other third-party purchasers. In the opinion of the directors of the Company, as at 31 December 2023, its immediately holding company was Cosmos Tianyu, a private company incorporated in the British Virgin Islands and its ultimate holding company was Sharp Bright, a private company incorporated in Hong Kong controlled by Mr. YU Pan.

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 28 March 2024.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

This note provides a list of the material accounting policy information adopted in the preparation of the 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*

The 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 HKICPA 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.

(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 investment properties and financial assets at FVOCI and FVPL 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 of disposals as further explained in Note 24.

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(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 RMB3,854,026,000, a loss attributable to the owners of the Company of approximately RMB3,489,387,000 for the year ended 31 December 2023.

As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB5,056,966,000 and RMB2,194,794,000, respectively, the Group's total bank and other borrowings amounted to approximately RMB12,620,489,000 and the Group has total commitment of approximately RMB6,593,387,000, while the Group has total bank balances and cash (including restricted cash) of approximately RMB263,505,000.

As at 31 December 2023, the Group's borrowings to the extent of approximately RMB5,737,281,000 were either overdue or immediately repayable despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 31 December 2023. This is mainly because:

(i) As at 31 December 2023, the Group failed to make principal payments totaling approximately RMB4,852,269,000 under the relevant terms and conditions of its loans 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 RMB386,112,000 became immediately due and payable (subject to the terms and conditions as stipulated in the Note 27 below) with original contractual repayment date in 2024, 2031, 2032 and 2034 have been classified as current liabilities as at 31 December 2023; and

(ii) As at 31 December 2023, current secured bank borrowings with principal amount of approximately RMB498,800,000 with contractual repayment date of 19 February 2024 contains a repayable on demand clause.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

During the year ended 31 December 2023, a bank in Hong Kong initiated certain legal actions against the Group in respect of a bank borrowing which was defaulted in 2022 with an outstanding principal amount of HK$340,000,000 and the interest and default interest payables of approximately HK$114,818,000 as at 31 December 2023. The bank borrowing was mainly secured by certain properties located in the PRC with carrying amount totaling of approximately RMB813,946,000 (the "**Pledged Properties**") as at 31 December 2023 and 100% equity interest of a subsidiary incorporated in Hong Kong, which is the immediate holding company of the company incorporated in the PRC holding the Pledged Properties. Details of the transactions are set out in Note 27(a)(iii). The legal actions mainly include (i) an arbitration in the PRC initiated by the bank which resulted in a legal proceeding with the Guangdong Province Guangzhou City Intermediate People's Court of the PRC. Pursuant to the court order, certain Pledged Properties, with a carrying amount of approximately RMB326,794,000 were frozen and seizure, which were restricted from transfer or pledge during the existence of the court order but the operations of the PRC subsidiary will not be hindered by the imposition of the court order; and (ii) an appointment of joint and several receivers and managers (collectively, the "**Receiver**") in Hong Kong at the instruction of the bank over the charged shares of a subsidiary of the Group (collectively, the "**Charged Shares**") which could be registered under the names of the Receiver (the "**Receivership**"), pursuant to the powers contained in the respective loan agreement. Receivership over the Charged Shares may result in the sale of the Charged Shares to other third-party purchasers according to the relevant law. As at 31 December 2023 and up to the date of the approval of the consolidated financial statements, the litigation in Hong Kong had not yet concluded, no action has yet taken or been identified in respect of the sale of the Pledged Properties, and that no settlement agreement has been entered into in respect of the disposal of the Charged Shares.

During the year ended 31 December 2023, the Group failed to make payment of bank borrowing with principal amount of RMB498,800,000, the bank has initiated the relevant procedures of enforcing charges. For principal amount and interest payable of approximately RMB498,800,000 and RMB45,770,000 respectively, as at 31 December 2023. The carrying amount of underlying pledged assets as at 31 December 2023, which include properties under development and properties held for sale, were amounting to approximately RMB1,773,000,000 and RMB1,341,000, respectively. The legal procedures of the enforcement have not been completed as at 31 December 2023.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

In November 2023, the Company had been notified by the receivers of the mortgage and revolving loan with an outstanding principal and the accrued but unpaid interest thereon of approximately HK$242,195,000, that a formal sale and purchase agreement for disposal of one of the office premises and two car parking spaces classified as "Investment Properties" and "Property, plant and equipment" respectively had been signed at consideration of HK$145,880,000 (equivalent to approximately RMB132,721,000). The net proceeds from such disposal were used to repay the outstanding mortgage and revolving loan due by the Group. Details of the transactions are set out in Note 15(iv) and Note 27(a)(iv).

As at 31 December 2023 and as of the date of approval of the consolidated financial statements, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters, for which the Group had made the provision (Note 37) and relevant disclosure on contingent liabilities (Note 37) in accordance with the legal advices.

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 has further flattened the organisational structure to reduce the management levels, enhance management efficiency and effectively control costs and expenses;

(ii) The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of the consolidated financial statements, the Group has completed the settlement arrangements with certain creditors with an aggregate amount of approximately RMB4,629,000;

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

(iii) The Group has been actively negotiating with other lenders on the repayment or extension of borrowings, and up to the date of approval of the consolidated financial statements, the Group has disposed of certain of its investment properties and property, plant and equipment and formulated certain plans for the settlement of borrowings of approximately RMB131,637,000 (net of transaction costs); and

(iv) The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from financial institutions, special borrowings and supporting borrowings and assets disposals. Up to the date of approval of the consolidated financial statements, the Group has obtained new financing or additional capital for certain projects through the above channels.

At the same time, the Group will continue to implement the following plans and measures:

(i) 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.

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

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

(iv) 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.

(v) 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

(vi) 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.

(vii) 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.

(viii) The Group will continue to reach an amicable solution with settlement proposal to the litigations which have not yet reached a definite outcome at the current stage.

At the same time, the Group will continue to follow up on the debt restructuring that has not yet been completed. As of the date of approval of the consolidated financial statements, the progress is as follows:

(i) The Company has been working closely with its legal and financial advisors and the joint provisional liquidators (the "**JPLs**") to formulate a viable debt restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all shareholders. Over the past few months, the Company, its respective creditors and advisors have been engaged in construction discussion towards a consensual debt restructuring.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

(ii) On 29 September 2023, the Group entered into the RSA with respective creditors in relation to the terms of the debt restructuring. The contemplated debt restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximise value, for all shareholders. The proposed debt restructuring effective date is yet to be determined and the proposed debt restructuring is subject to the approval by the requisite majorities of the relevant Scheme Creditors and pending approval at the scheme meetings of the Scheme Creditors and sanction by the Bermuda Court and the High Court of Hong Kong.

(iii) The proposed debt restructuring schemes entitle the relevant Scheme Creditors to exchange their existing debt claims to notes of six or seven year of maturity (the "**Scheme Notes**") or amended medium-term bonds with maturity date extended for ten years. The Scheme Notes and amended medium-term bonds may be repaid, redeemed, settled and/or offset prior to their respective maturity dates through any or all of the followings: (a) debt-to-equity swap; (b) specified assets disposal; (c) special purpose vehicle debt-to-equity swap; and (d) liquidated specified assets disposal. Details of term of Scheme Notes and amended medium-term bonds are set out in the Company's announcement dated 29 September 2023.

(iv) Together with the JPLs, the Group has always maintained active communication with its creditors, and strived to complete the relevant legal procedures for implementing the proposed debt restructuring schemes as soon as possible. The directors of the Company are positive in obtaining the requisite support of the Scheme Creditors and completing the proposed debt restructuring schemes.

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 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and presentation (continued)

(c) Going concern basis (continued)

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the proposed debt restructuring schemes; and (ii) whether it is able to achieve its plans and measures as described above.

Should the Group failed to complete the proposed debt restructuring schemes and 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 new and amendments to HKFRSs

In the current year, the Group has adopted for the first time the following new and 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 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments

Except for the impact as disclosed below, the adoption of the above new and 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 the consolidated financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Adoption of amendments to HKFRSs (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Adoption of amendments to HKFRSs (continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 *Income Taxes* does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 *Income Taxes*.

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a deferred tax liability in relation to its right-of-use assets as at 1 January 2022 and has only recognised deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The impact of the retrospective adjustments of the changes in accounting policies on the items and amounts in the consolidated financial statements for the comparative period had no significant impact on the consolidated financial statements.

2.3 Amendments to HKFRSs not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Amendments to HKFRSs not yet effective (continued)

The Group has already commenced an assessment of the related impact to the Group of the above 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.

2.4 Material accounting policy information

The material accounting policy information adopted in the preparation of the 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 interests having a deficit balance.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.1 Basis of consolidation (continued)

Consolidation (continued)

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.

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 interests 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.1 Basis of consolidation (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.2 Joint arrangement (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.3 Foreign currency translation (continued)

(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)/income and 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.

(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. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

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

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)/income and gains – net' in the consolidated statement of comprehensive income.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.4 Property, plant and equipment (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.5 Investment properties (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.5 Investment properties (continued)

The fair value of the investment properties is 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.

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.7 Lease (continued)

As a lessee (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.7 Lease (continued)

As a lessee (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.7 Lease (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.7 Lease (continued)

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.

2.4.8 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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

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 (losses)/income and gains – net.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(i) Significant increase in credit risk (continued)

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.

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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(i) Significant increase in credit risk (continued)

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.

(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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(iii) Credit-impaired financial assets (continued)

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.

(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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.8 Financial instruments (continued)

Financial assets (continued)

Impairment under ECL model (continued)

(v) Measurement and recognition of ECL (continued)

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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

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.

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. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

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 recognised as expenses. The total amounts to be expensed is determined by reference to the fair value of the options or shares granted:

- 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

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

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.

2.4.17 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. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

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:

- 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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.18 Revenue recognition (continued)

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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.

(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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.18 Revenue recognition (continued)

Financing components (continued)

(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 on financial assets at amortised cost is recognised in the consolidated statement of comprehensive income within 'Other (losses)/income and gains – net', 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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

2.4.21 Fair value measurement (continued)

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (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 recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised 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 recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised 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 recognised. 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 2023, major non-RMB assets and liabilities are cash and cash equivalents and restricted cash 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:

	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents and restricted cash		
– US$	**1,405**	5,073
– HK$	**24,858**	54,281
Bank and other borrowings		
– US$	**(4,755,322)**	(4,162,139)
– HK$	**(2,493,232)**	(2,268,104)

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:

	2023		2022	
	Change in exchange rate	**Decrease/ (increase) in loss after income tax**	Change in exchange rate	Decrease/ (increase) in loss after income tax
	%	***RMB'000***	%	*RMB'000*
If US$ weakens against RMB	**4%**	**190,158**	4%	166,283
If US$ strengthens against RMB	**4%**	**(190,158)**	4%	(166,283)
If HK$ weakens against RMB	**4%**	**98,735**	4%	88,553
If HK$ strengthens against RMB	**4%**	**(98,735)**	4%	(88,553)

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 2023, 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 RMB13,160,000 (2022: RMB13,245,000). 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 2022 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, loan receivables and amounts due from 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 *RMB'000*	Loss allowance *RMB'000*
As at 31 December 2023			
Within 30 days	**0.0%**	**423**	**–**
Over 30 days and within 90 days	**2.2%**	**186**	**(4)**
Over 90 days and within 365 days	**4.8%**	**623**	**(30)**
Over 365 days	**12.2%**	**163,718**	**(19,982)**
		164,950	**(20,016)**
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)

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 2023 (2022: Nil).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

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 is separately disclosed in Note 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)

(ii) Other financial assets at amortised cost (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**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
As at 31 December 2023			
Amounts due from non-controlling interests	**29.9%**	**921,828**	**(275,402)**
Loan receivables	**46.2%**	**349,000**	**(161,357)**
Deposits and other receivables from other third parties	**5.15%**	**921,194**	**(47,473)**
		2,192,022	**(484,232)**
As at 31 December 2022			
Amounts due from non-controlling interests	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)

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.

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-deposits already received and the forward-looking information. Detailed disclosure of these guarantees is made in Note 32.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(ii) Other financial assets at amortised cost (continued)

Financial guarantee contracts (continued)

The directors of the Company considered that the loss allowances on financial guarantee contracts at 31 December 2023 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.

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

	Trade receivables	Loan receivables	Deposits and other receivables	Amounts due from non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	26,684	36,120	27,572	3,945	94,321
(Reversal)/provision for impairment during the year	(8,704)	110,009	15,365	117,028	233,698
At 31 December 2022 and 1 January 2023	17,980	146,129	42,937	120,973	328,019
Provision for impairment during the year	2,036	15,228	4,536	154,429	176,229
At 31 December 2023	**20,016**	**161,357**	**47,473**	**275,402**	**504,248**

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 2023** *RMB'000*	Gross carrying amount 2022 *RMB'000*
Financial assets at amortised cost:					
Trade receivables	*21*	Performing	Lifetime ECL (not credit-impaired)	**160,940**	199,537
		Non-performing	Lifetime ECL (credit-impaired)	**4,010**	–
Deposits and other receivables, excluding prepayments and goods and services tax receivables	*21*	Performing	12m ECL	**921,194**	1,446,785
		Underperforming	Lifetime ECL (not credit-impaired)	**921,828**	1,050,678
		Non-performing	Lifetime ECL (credit-impaired)	**349,000**	349,000
Term deposits	*23*	N/A	12m ECL	**12,000**	12,000
Restricted cash	*23*	N/A	12m ECL	**198,811**	481,279
Cash and cash equivalents	*23*	N/A	12m ECL	**52,694**	83,644

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, certain bank and other borrowings were defaulted for repayments respectively as at 31 December 2023 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Total undiscounted cash flow						
	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 2023							
Trade payables	**23,768**	**–**	**–**	**–**	**–**	**23,768**	**23,768**
Other payables, excluding taxes and surcharges and accrued salaries payable	**358,448**	**4,159,710**	**–**	**–**	**–**	**4,518,158**	**4,518,158**
Bank and other borrowings *(Note)*	**6,988,576**	**981,148**	**1,092,970**	**3,637,314**	**1,306,256**	**14,006,264**	**12,620,489**
Lease liabilities	**–**	**24,963**	**24,963**	**101,667**	**235,820**	**387,413**	**229,716**
Guarantee for property mortgage	**1,924,441**	**–**	**–**	**–**	**–**	**1,924,441**	**–**
	9,295,233	**5,165,821**	**1,117,933**	**3,738,981**	**1,542,076**	**20,860,044**	**17,392,131**
As at 31 December 2022							
Trade payables	21,299	–	14,653	–	–	35,952	35,952
Other payables, excluding taxes and surcharges and accrued salaries payable	303,833	3,601,066	–	–	–	3,904,899	3,904,899
Bank and other borrowings *(Note)*	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

Note: Interest on bank and other borrowings is calculated on borrowings held as at 31 December 2023 (2022: Same). Floating-rate interest is estimated using the current interest rate as at 31 December 2023 (2022: Same).

The Group has not recognised in the 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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 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.

There were no transfers between the three levels during the year (2022: Nil).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

3.3 Fair value estimation (continued)

(ii) Financial instruments measured at fair value (continued)

The following tables illustrate the fair value measurement of hierarchy of the Group's financial assets at FVOCI *(Note 20)*:

As at 31 December 2023	**Fair value hierarchy**	**Fair value** ***RMB'000***	**Valuation technique and key inputs**
Equity investments designated at fair value through other comprehensive income	Level 3	75,023	Asset-based approach. Fair value of the underlying assets and liabilities as valuation value of the underlying assets, the higher the fair value; the higher the fair value of the underlying liabilities, the lower the fair value

3.4 Summary of financial assets and financial liabilities by category

	2023 ***RMB'000***	2022 *RMB'000*
Financial assets		
At amortised cost		
– Trade receivables	**144,934**	181,557
– Deposits and other receivables	**1,707,790**	2,536,424
Restricted cash	**210,811**	493,279
Cash and cash equivalents	**52,694**	83,644
At fair value		
Fair value through other comprehensive income	**75,023**	–
	2,191,252	3,294,904
Financial liabilities		
At amortised cost		
– Trade payables	**23,768**	35,952
– Accruals and other payables	**4,518,158**	3,904,899
– Lease liabilities	**229,716**	209,222
– Bank and other borrowings	**12,620,489**	11,436,417
	17,392,131	15,586,490

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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 2023 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2023 were measured at fair value.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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 is disclosed in Notes 3.1(b) and 21.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Loss allowance for loan and other receivables (including the amounts due from 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. REVENUE AND 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:

	2023	2022
	RMB'000	*RMB'000*
Sale of properties	**1,529,952**	1,949,149
Property management services	**81,556**	95,258
Rental income	**18,352**	23,174
Commercial operation	**2,495**	2,408
	1,632,355	2,069,989

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 impairment losses on financial assets, share of losses of associate and joint venture, impairment loss on interest in a joint venture, interest income and dividend income of financial assets, unallocated corporate net expenses, finance costs – net and income tax expense/(credit). 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. REVENUE AND SEGMENT REPORTING (continued)

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

- All assets are allocated to operating segments other than interest in a joint venture, financial assets at FVPL and FVOCI, 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, lease 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 2023						
Segment revenue						
External revenue	1,529,952	81,556	18,352	2,495	–	1,632,355
Inter-segment revenue	–	2,120	17,145	–	(19,265)	–
	1,529,952	83,676	35,497	2,495	(19,265)	1,632,355
Timing of revenue recognition						
At a point in time	1,529,952	–	–	–	–	1,529,952
Transferred over time	–	83,676	–	2,495	(2,120)	84,051
Revenue from other sources	–	–	35,497	–	(17,145)	18,352
Total	1,529,952	83,676	35,497	2,495	(19,265)	1,632,355
Segment results	(602,612)	(24,393)	(158)	(2,873)	–	(630,036)
Reconciliation:						
Unallocated corporate net expenses						(114,633)
						(744,669)
Loss on derecognition of an associate *(Note 6)*						(14,336)
Loss on disposal of investment properties and property, plant and equipment due to a default event *(Note 6)*	–	–	(11,414)	–	–	(11,414)
Impairment loss of trade receivables, deposits and other receivables						(21,800)
Impairment loss of prepayments	(155,798)	–	–	–	–	(155,798)
Impairment loss on amount due from non-controlling interest	(154,429)	–	–	–	–	(154,429)
Impairment loss of property, plant and equipment						(1,000)
Impairment loss of properties under development and properties held for sale	(928,212)	–	–	–	–	(928,212)
Fair value changes in investment properties	–	–	(294,500)	–	–	(294,500)
Impairment loss of interest in a joint venture						(20,162)
Loss on disposal of a subsidiary	(7,725)	–	–	–	–	(7,725)
Finance costs – net						(1,219,370)
Consolidated loss before income tax						(3,573,415)

5. REVENUE AND 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	(15,791)	(171)	(1,774)	(5)	–	(17,741)
Additions to properties under development	918,189	–	–	–	–	918,189
Capital expenditure						3,091
As at 31 December 2023						
Assets and liabilities						
Assets						
Reportable segment assets	17,290,123	40,646	2,635,746	1,243	–	19,967,758
Reconciliation:						
Financial assets at FVOCI						75,023
Deferred tax assets						194,144
Cash and cash equivalents						52,694
Unallocated corporate assets						
– Property, plant and equipment						46,563
– Other receivables and prepayments						187,643
– Restricted cash						210,811
– Other corporate assets						55,769
Consolidated total assets						20,790,405
Liabilities						
Reportable segment liabilities	12,469,933	501,152	14,045	1,909	–	12,987,039
Reconciliation:						
Deferred tax liabilities						261,701
Income tax payable						1,731,856
Lease liabilities						229,716
Unallocated corporate liabilities						
– Bank and other borrowings						7,620,880
– Other corporate liabilities						154,007
Consolidated total liabilities						22,985,199

5. REVENUE AND 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 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. REVENUE AND 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

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 2023 (2022: Same).

6. OTHER (LOSSES)/INCOME AND GAINS – NET

	2023	2022
	RMB'000	*RMB'000*
Other income	**398**	5,802
Other gains	**1,838**	13,008
Loss on derecognition of an associate *(Note 17)*	**(14,336)**	–
Loss on disposal of investment properties and property, plant and equipment due to a default event *(Note 15(iv))*	**(11,414)**	–
	(23,514)	18,810

7. FINANCE COSTS – NET

	2023	2022
	RMB'000	*RMB'000*
Interest expense for bank and other borrowings	**(1,163,415)**	(1,211,290)
Interest on lease liabilities *(Note 14(b))*	**(20,494)**	(19,361)
Add: Amount capitalised	**124,980**	472,505
	(1,058,929)	(758,146)
Default interest	**(95,980)**	(26,090)
	(1,154,909)	(784,236)
Foreign exchange loss on financing activities – net	**(68,006)**	(323,661)
	(1,222,915)	(1,107,897)
Finance income: Bank interest income	**3,545**	18,163
Finance costs – net	**(1,219,370)**	(1,089,734)

Note:

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 11.4% (2022: 12.3%), 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. LOSS BEFORE INCOME TAX

	Notes	2023 RMB'000	2022 RMB'000
Cost of properties sold – including construction cost, land cost and capitalised interest expenses		**1,639,697**	2,191,167
Staff costs (including directors' emoluments)	9	**111,530**	170,737
Advertising costs		**1,641**	53,372
Taxes and levies		**58,354**	23,267
Other direct costs		**43,508**	58,899
Legal and professional fees		**89,786**	41,238
Depreciation and amortisation			
– Property, plant and equipment	13	**6,582**	17,270
– Right-of-use assets	14(b)	**11,159**	11,159
		17,741	28,429
Auditor's remunerations			
– audit services		**2,400**	2,600
– non-audit services		**635**	–
		3,035	2,600
Short-term lease payments	14(b)	**2,105**	2,226

9. STAFF COSTS

	Notes	2023 RMB'000	2022 RMB'000
Staff costs (including directors' emoluments) comprise:			
Basic salaries		**113,631**	162,952
Equity-settled share-based payment expenses	33, 34	**–**	225
Bonuses and other benefits		**16,712**	36,060
Contributions to defined contribution pension plans	(a)	**6,612**	8,143
		136,955	207,380
Less: Amount capitalised as properties under development		**(25,425)**	(36,643)
Staff costs charged to profit or loss		**111,530**	170,737

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, two (2022: three) are directors whose emoluments are included in Note 39. The emoluments of the remaining three (2022: two) are as follows:

	2023	2022
	RMB'000	*RMB'000*
Basic salaries and other benefits	**3,267**	3,189
Contributions to defined contribution pension plans	**193**	99
	3,460	3,288

Their emoluments are within the following bands:

	Number of individuals	
	2023	2022
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1

10. INCOME TAX EXPENSE/(CREDIT)

The amount of taxation in the consolidated statement of comprehensive income represents:

	2023	2022
	RMB'000	*RMB'000*
PRC corporate income tax expense	**15,664**	6,244
PRC land appreciation tax expense	**38,368**	45,293
	54,032	51,537
Deferred tax		
– PRC corporate income tax *(Note 28)*	**226,579**	(301,227)
Total income tax expense/(credit)	**280,611**	(249,690)

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 the PRC 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 the PRC 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 EXPENSE/(CREDIT) (continued)

Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands and the 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 the consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year (2022: Nil). 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 before income tax per the consolidated statement of comprehensive income as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(3,573,415)**	(3,844,379)
Calculated at applicable PRC corporate income tax rate of 25%	**(893,354)**	(961,095)
Effect of difference in tax rate	**225,112**	305,523
Tax effect of tax losses not recognised as deferred income tax asset	**496,023**	366,194
Tax effect of expenses not deductible for tax purposes	**60,575**	5,718
Tax effect of deductible temporary difference not receognised	**363,479**	–
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(9,592)**	(11,323)
	242,243	(294,983)
PRC land appreciation tax	**38,368**	45,293
	280,611	(249,690)

11. LOSS PER SHARE

The calculation of basic loss per share amounts for the year ended 31 December 2023 is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issued (2022: Same).

The calculation of the diluted loss per share amounts for the year ended 31 December 2023 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 (2022: Same). As the Group incurred loss attributable to owners of the Company for the year ended 31 December 2023, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive (2022: Same).

	2023	2022
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share	**(3,489,387)**	(3,491,272)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,446,331**	8,446,331
Basic and diluted (expressed in RMB)	**(0.413)**	(0.414)

12. DIVIDENDS

No dividend for the year ended 31 December 2023 (2022: 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 2023					
Opening net book amount	**103,721**	**4,883**	**3,491**	**–**	**112,095**
Additions	**–**	**2,716**	**375**	**–**	**3,091**
Disposals arising from a default event *(Note 15(iv))*	**(43,029)**	**–**	**–**	**–**	**(43,029)**
Disposals	**–**	**(49)**	**(2,398)**	**–**	**(2,447)**
Depreciation *(Note 8)*	**(4,757)**	**(1,383)**	**(442)**	**–**	**(6,582)**
Impairment	**(1,000)**	**–**	**–**	**–**	**(1,000)**
Exchange differences	**732**	**(174)**	**–**	**–**	**558**
Closing net book amount	**55,667**	**5,993**	**1,026**	**–**	**62,686**
At 31 December 2023					
Cost	**140,509**	**27,606**	**11,820**	**–**	**179,935**
Accumulated depreciation	**(82,173)**	**(21,613)**	**(10,794)**	**–**	**(114,580)**
Accumulated impairment	**(2,669)**	**–**	**–**	**–**	**(2,669)**
Net book amount	**55,667**	**5,993**	**1,026**	**–**	**62,686**
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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charges were included in the following categories:

	2023 RMB'000	2022 RMB'000
Property under development	–	3
Administrative and other expenses	**6,582**	17,267
	6,582	17,270

As at 31 December 2023, certain property, plant and equipment were pledged as collateral for the Group's borrowings (Note 27(h)).

In view of the deteriorating outlook for the property market in the PRC and the magement has performed the impairment assessment for the property, plant an equipment as at 31 December 2023. An impairment of approximately RMB1,000,000 (2022: RMB1,669,000) has been recorded to reduce the carrying value of the Group's property, plant and equipment to their estimated recoverable value. The estimates of recoverable amount were based on the fair values of relevant properties less costs of disposal determined by Cushman & Wakefield (as defined in Note 18).

No borrowing costs have been capitalised in assets under construction for the year ended 31 December 2023 (2022: Nil).

14. LEASES

	2023 RMB'000	2022 RMB'000
Right-of-use assets		
At 1 January	**216,087**	362,425
Partial disposal of a subsidiary *(Note 31)*	–	(135,179)
Amortisation *(Note 8)*	**(11,159)**	(11,159)
At 31 December	**204,928**	216,087

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. The amortisation charges of approximately RMB11,159,000 (2022: RMB11,159,000) were included in administrative and other expenses (2022: Same).

As at 31 December 2023, certain right-of-use assets 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

	2023 RMB'000	2022 RMB'000
Right-of-use assets		
Land	**88,643**	92,049
Building	**116,285**	124,038
	204,928	216,087
Lease liabilities		
Current	**17,507**	17,507
Non-current	**212,209**	191,715
	229,716	209,222

(b) Amounts recognised in the consolidated statement of comprehensive income

	2023 RMB'000	2022 RMB'000
Amortisation of right-of-use assets		
Land	**3,407**	3,407
Building	**7,752**	7,752
	11,159	11,159
Interest expense (included in finance costs) *(Note 7)*	**20,494**	19,361
Expense relating to short-term leases (included in administrative expenses) *(Note 8)*	**2,105**	2,226
	33,758	32,746

15. INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Year ended 31 December 2023			
At 1 January 2023	**1,717,134**	**1,302,000**	**3,019,134**
Disposal arising from a default event *(Note (iv))*	**(99,845)**	**–**	**(99,845)**
Fair value losses – net	**(257,500)**	**(37,000)**	**(294,500)**
Exchange differences	**1,811**	**–**	**1,811**
At 31 December 2023	**1,361,600**	**1,265,000**	**2,626,600**
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

The following amounts have been recognised in the consolidated statement of comprehensive income:

	2023 *RMB'000*	2022 *RMB'000*
Rental income *(Note 5)*	**18,352**	23,174
Direct operating expenses arising from investment properties that generate rental income	**(3,432)**	(5,113)
Direct operating expenses arising from investment properties that do not generate rental income	**(183)**	(568)

Investment properties as at 31 December 2023 are held in the PRC on leases between 10 to 50 years (2022: 10 to 50 years).

15. INVESTMENT PROPERTIES (continued)

As at 31 December 2023, certain investment properties were pledged as collateral for the Group's borrowings (Note 27(h)) (2022: Same).

The fair value of the investment properties is 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 2023 (2022: 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 2023, 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 (2022: 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 2023 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 (2022: 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 management'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 (2022: Same).

	Property Category	Fair value at 31 December 2023 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties in the PRC	Commercial properties	1,105,600 (2022: 1,133,100)	Term and reversionary method	Term yields	1.00% – 4.00% (2022: 3.50% – 4.00%)	The higher the term yields rate, the lower the fair value
				Reversionary yields	1.50% – 4.00% (2022: 3.50% – 4.00%)	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/ square meter/ month)	30 – 215 (2022: 30 – 215)	The higher the market rent, the higher the fair value
			Direct comparison method	Market price (RMB/ square meter)	18,569 – 59,900 (2022: 18,662 – 33,712)	The higher the market price, the higher the fair value
	Car parks	256,000 (2022: 486,000)	Direct comparison method	Market price (RMB/ lot)	320,000 – 642,500 (2022: 662,500)	The higher the market price, the higher the fair value
			Term and reversionary method	Term yields	1.00% (2022: 1.00%)	The higher the term yields, the lower the fair value
				Reversionary yields	1.50% (2022: 1.50%)	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/ lot/month)	1,650 – 1,800 (2022: 1,676)	The higher the market rent, the higher the fair value

15. INVESTMENT PROPERTIES (continued)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2023 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction in the PRC	Commercial properties	1,265,000 (2022: 1,302,000)	Residual method	Market rents (RMB/ square meter/ month)	65 (2022: 65)	The higher the market rent, the higher the fair value
				Reversionary yields	3.75% (2022: 3.75%)	The higher the reversionary yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/ square meter)	4,350 (2022: 4,291)	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	17.26% (2022: 17.50%)	The higher the developer's profit, the lower the fair value

(iv) Disposal of investment properties and property, plant and equipment (Note 13) arising from a default event

During the year ended 31 December 2023, the Company has been notified by the receivers appointed by a bank in respect of the mortgage and revolving loan with certain bank borrowings as disclosed in Note 27(a)(iv), that a formal sale and purchase agreement for disposal of certain properties (the "**Properties**") has been signed at consideration of HK$145,880,000 (equivalent to approximately RMB132,721,000). These Properties comprised investment properties with fair value of approximately RMB99,845,000 and property, plant and equipment with carrying amount of approximately RMB43,029,000 prior to their disposal.

The sale of these Properties was completed in December 2023 and the net proceeds from such disposal were used to repay the outstanding mortgage and revolving loan due by the Company's indirectly wholly-owned subsidiary to a local financial institution. A loss of approximately RMB11,414,000 (2022: Nil) in respect of the disposal of the Properties was recorded in the consolidated statement of comprehensive income for the year as other losses in Note 6.

16. INTEREST IN A JOINT VENTURE

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**").

Details of Guiyang Haiyang as at 31 December, is as follows:

Name of joint ventures	Place of incorporation/ establishment/ operation	Particulars of registered and paid up capital	Percentage of equity interest indirectly held by the Company 2023	2022	Principal activities
貴陽海洋房地產開發有限公司 (i) (Guiyang Haiyang Property Development Company Limited)*	The PRC	RMB100,000,000	**51%**	51%	Property development in the PRC

* *English name is for identification purpose only*

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:

	2023 *RMB'000*	2022 *RMB'000*
At 1 January	**20,162**	44,311
Share of loss – net	**–**	(3,988)
Less: Impairment loss *(Note)*	**(20,162)**	(20,161)
At 31 December	**–**	20,162

Note: 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 as at 31 December 2023. The directors of the Company assessed the likelihood of recovering the investment costs is remote, for the fact that the operations of Guiyang Haiyang were temporarily suspended due to its assets and bank accounts were frozen by a court order in August 2023. Therefore, the remaining interest in a joint venture were fully impaired during the year.

In the opinion of the directors of the Company, there are no contingent liabilities nor commitment relating to the Group's interests in the joint venture.

16. INTEREST IN A JOINT VENTURE (continued)

During the year ended 31 December 2022, 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.

Accordingly, the impairment loss of approximately RMB20,162,000 (2022: RMB20,161,000) were recognised in the consolidated profit or loss for the year.

(i) Guiyang Haiyang

	2023	2022
	RMB'000	*RMB'000*
At 31 December		
Non-current assets	**36**	36
Cash and cash equivalents	**2,123**	2,123
Properties under development	**1,038,319**	1,038,319
Other current assets	**84,661**	84,661
Total assets	**1,125,139**	1,125,139
Non-current liabilities	**132,718**	132,718
Bank borrowings	**8,650**	8,650
Other current liabilities	**904,707**	904,707
Total liabilities	**1,046,075**	1,046,075
Net assets	**79,064**	79,064
Share of net assets	**40,323**	40,323
Impairment	**(40,323)**	(20,161)
Net interest in a joint venture	–	20,162
Year ended 31 December		
Revenue	–	66,881
Cost of sales	–	(65,774)
Gross profit	–	1,107
Expenses	–	(7,319)
Others	–	(1,608)
Loss for the year	–	(7,820)
Total comprehensive loss for the year	–	(7,820)
Share of loss	–	(3,988)

17. INTEREST IN AN ASSOCIATE

Following the partial disposal for the year ended 31 December 2022 that resulted in the Group losing control over Tourism Development 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 was accounted for using equity method for the year ended 31 December 2022.

	Notes	2023 RMB'000	2022 RMB'000
At 1 January		**89,359**	–
Addition	*31*	**–**	90,000
Share of loss – net		**–**	(641)
Loss on derecognition of an associate *(Note)*	*6*	**(14,336)**	–
Transfer to financial assets at FVOCI	*20*	**(75,023)**	–
At 31 December		**–**	89,359

Details of Tourism Development Hospital as at 31 December 2022, was as follows:

Name of associate	Place of incorporation/ establishment/ operation	Particulars of registered and paid up capital	Percentage of equity interest indirectly held by the Company 2023	2022	Principal activities
廣西旅發集團廣西自貿區醫院管理有限公司(前稱南寧市明安醫院管理有限公司) Guangxi Tourism Development Group Guangxi Free Trade Zone Hospital Management Company Limited) (the "**Tourism Development Hospital**") (Formerly known as Nanning Mingan Hospital Management Company Limited)*	The PRC	RMB450,000,000	***(Note)***	20%	Hospital operation in the PRC

* *English name is for identification purpose only*

Note: During the year ended 31 December 2023, the Group entered into a capital injection agreement with two existing and one new shareholders, pursuant to which the new shareholder and one existing shareholder were committed to inject the amount of RMB297,438,000 and RMB49,573,000 respectively into Tourism Development Hospital. The capital injection was completed in December 2023 and accordingly, the Group's interest in Tourism Development Hospital was diluted from 20% to 11.29%. In the opinion of the directors of the Company, the Group is no longer able to exercise significant influence over the significant financial and operation decisions in respect of Tourism Development Hospital. As a result, Tourism Development Hospital was derecognised as an associate of the Group (the "**Derecognition**") and reclassified as financial assets at FVOCI in the consolidated statement of financial position as at 31 December 2023. A loss of approximately RMB14,336,000 (2022: Nil) in respect of the Derecognition was recorded in the consolidated statement of comprehensive income for the year as other losses in Note 6.

17. INTEREST IN AN ASSOCIATE (continued)

There were no contingent liabilities nor commitment relating to the Group's interest in the associate as at 31 December 2022.

The summarised financial information in respect of Tourism Development Hospital represents amounts shown in its financial statements adjusted by the Group to conform with HKFRSs for equity accounting purposes for the year ended 31 December 2022. During the year ended 31 December 2023, the revenue or loss and total comprehensive loss attribute to the owner of the associate prior to the Derecognition were immaterial and hence no share of loss of the associate was accounted for in the consolidated statement of comprehensive income.

	2022 *RMB'000*
At 31 December	
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 year 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:

	2023 RMB'000	2022 RMB'000
Properties under development include:		
– Land use rights	**5,211,080**	6,768,497
– Construction costs	**5,240,519**	4,514,659
– Interests capitalised	**1,808,479**	1,744,432
	12,260,078	13,027,588
Less: Impairment loss	**(1,009,617)**	(1,186,695)
	11,250,461	11,840,893
Portion classified as current assets	**(6,542,436)**	(11,840,893)
Non-current assets	**4,708,025**	–

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.

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 RMB11,250,461,000 (2022: RMB11,840,893,000) as at 31 December 2023. An impairment loss of approximately RMB285,873,000 (2022: RMB1,099,289,000) 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 2023, certain properties under development were pledged as collateral for the Group's borrowings (Note 27(h)).

As at 31 December 2023, properties under development amounting to approximately RMB1,015,022,000 (2022: RMB2,237,384,000) was expected to be completed and delivered beyond one year.

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 8 (2022: 4) property development projects located in Xuzhou, Zhuhai, Chongqing, Guilin, Nanning, Kunming and Shenzhen (2022: 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 2023, the Group has been given by Xuzhou and Nanning 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. According to the supplemental agreements, the deadline for the Group to commence its development construction works at Land Sites in Nanning and Xuzhou are 15 May 2024 and 30 December 2025 respectively. Up to the date of the approval of the consolidated financial statements, the Group is still negotiating with the Relevant Bureaus in relation to the renewal of the Land Site in Nanning.

In respect of the Land Sites in Zhuhai, Chongqing, Guilin, Kunming and Shenzhen, the Idle Land Proposal was submitted to address the idle land issue by the Group. Up to the date of the approval of the consolidated financial statements, no official or formal approval was obtained from the Relevant Bureaus.

In respect of the abovementioned idle lands, the directors of the Company estimate that the Group may be subject to the relevant maximum penalty of approximately RMB111,819,000 (2022: RMB19,838,000). However, the directors of the Company, after taking the legal advice into consideration, are of the view that it is unlikely that the Land Sites in Zhuhai, Chongqing, Guilin, Kunming and Shenzhen would be forfeited by government and the Group is not likely to be required to make compensation for such non-compliance. As such, no provision for compensation of Idle Land Proposal has been made (2022: Nil).

19. PROPERTIES HELD FOR SALE

	2023	2022
	RMB'000	*RMB'000*
Properties held for sale	**3,030,532**	2,542,246
Less: Impairment loss	**(714,778)**	(72,439)
	2,315,754	2,469,807

All properties held for sale were located in the PRC.

In view of the deteriorating property 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 properties 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.

As at 31 December 2023, 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 approximately RMB2,315,754,000 (2022: RMB2,469,807,000). An impairment loss of approximately RMB642,339,000 (2022: RMB69,807,000) 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 2023, certain properties held for sale were pledged as collateral for the Group's borrowings (Note 27(h)).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(a) Financial assets at fair value through profit or loss

	2023	2022
	RMB'000	*RMB'000*
Financial assets at FVPL, investment funds		
At 1 January	–	226,956
Fair value changes	–	(249,219)
Exchange differences	–	22,263
At 31 December	–	–
Included unrealised loss recognised in consolidated profit or loss attributable to balances held at the end of the year	–	(249,219)

The investments mainly represent investments in various funds managed by HK fund managing companies, independent third parties of the Group. 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 ended 31 December 2022. 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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME (continued)

(b) Financial assets at fair value through other comprehensive income

	2023	2022
	RMB'000	*RMB'000*
Financial assets at FVOCI, unlisted equity investment		
At 1 January	**–**	–
Reclassified from interest in an associate *(Note 17)*	**75,023**	–
At 31 December	**75,023**	–

As at 31 December 2023, the balance represented 11.29% (2022: Nil) equity interest in an unlisted equity investment in a private entity incorporated in the PRC principally engaged in provision of hospital operation in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at financial asset at FVOCI as they believe that recognising short-term fluctuations in these investments at fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. During the year ended 31 December 2023, no dividend has been declared by this entity and no cumulative gain or loss has been transferred within the equity.

Fair value was recorded at approximately RMB75,023,000 (2022: Nil) as at 31 December 2023 and no fair value changes was recognised in consolidated profit or loss for the year (2022: Nil).

The fair values of these financial assets designated at FVOCI are measured using valuation technique with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. Details on the valuation technique and input used are set out in fair value measurements of financial instruments in Note 3.3(ii).

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables			
Trade receivables, gross		**164,950**	199,537
Less: Loss allowance		**(20,016)**	(17,980)
	(a)	**144,934**	181,557
Other receivables and deposits:			
Amounts due from non-controlling interests, gross		**921,828**	1,050,678
Less: Loss allowance		**(275,402)**	(120,973)
	(b)	**646,426**	929,705
Loan to the Borrower *(Note 16)*, gross		**349,000**	349,000
Less: Loss allowance		**(161,357)**	(146,129)
	(c)	**187,643**	202,871
Guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority	*(d)*	**409,940**	735,273
Sale proceeds kept by a monitoring governmental authority	*(e)*	**136,333**	411,859
Maintenance funds paid on behalf of properties owners		**53,224**	56,684
Tender deposit in development project		**45,510**	45,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary		**96,900**	24,900
Wage deposit for migrant workers		**16,547**	34,159
Others	*(f)*	**162,740**	138,400
		921,194	1,446,785
Less: Loss allowance		**(47,473)**	(42,937)
		873,721	1,403,848
		1,707,790	2,536,424
Prepayments:			
Prepaid construction costs	*(g)*	**918,635**	1,030,997
Prepaid taxes and surcharges	*(h)*	**505,694**	994,648
Prepayment for proposed projects	*(i)*	**561,951**	543,428
		1,986,280	2,569,073
Less: Impairment loss	*(g)*	**(155,798)**	–
		1,830,482	2,569,073
Total other receivables, deposits and prepayments		**3,538,272**	5,105,497
Less: Prepayments classified as non-current assets	*(j)*	**(352,351)**	–
Other receivables, deposits and prepayments classified as current assets		**3,185,921**	5,105,497

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes 3.1(b)(i) and (ii) provides details about the exposure to credit risk exposure of trade and other receivables and deposits.

Notes:

(a) The majority of the Group's trade receivables were derived from sales of properties, property management services and rental income (2022: Same). 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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**423**	18,252
Over 30 days and within 90 days	**186**	133
Over 90 days and within 365 days	**623**	3,278
Over 365 days	**163,718**	177,874
	164,950	199,537

As at 31 December 2023, the fair value of trade receivables approximated their carrying amounts (2022: Same).

(b) Amounts due from non-controlling interests represented 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 2023, by referencing to the status of underlying property projects, 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 interest parties.

(c) 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**"), 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.

The Borrower is a company incorporated with limited liability in the PRC which is principally engaged in property development in the PRC. In the opinion of the directors of the Company, the JV Partners (defined in Note 16) were ultimately controlled by an individual who has beneficial interest in the Borrower.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes: (continued)

(c) (continued)

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 held by the JV, 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.

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 on 30 September 2019. 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.

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 2023, the Borrower had the outstanding principal of approximately RMB349,000,000 in aggregate. The management fee of 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 2023, 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 (2022: Same).

Up to the date of the approval of the consolidated financial statements, the court made a final judgement, requiring the Borrower to repay the outstanding principal thereon of approximately RMB349,000,000 and accrued interests of approximately RMB148,203,000. 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 loan to the Borrower of approximately RMB161,357,000 (2022: RMB146,129,000) accordingly as at 31 December 2023.

(d) As at 31 December 2023, 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. During the year, Guangzhou government returned the guarantee deposit of approximately RMB325,333,000 (2022: Nil), based on the completion progress of the projects.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes: (continued)

(e) As at 31 December 2023, the balance represented pre-sales proceeds of three (2022: 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. During the year, the pre-sale supervision funds of the three projects development of approximately RMB275,526,000 (2022: Nil) were partially withdrawn.

(f) All balances of other receivables are from independent third parties. The carrying amounts of other receivables approximate their fair values. After considering the financial capacities of the debtors, the directors of the Company assessed the recoverability and provided an allowance for ECL of approximately RMB47,473,000 (2022: RMB42,937,000) during the year.

(g) Prepaid construction costs represented prepayments for purchase of construction materials to support the Group's ordinary business. After considering the financial capability of certain suppliers with legal proceedings, the directors of the Company concluded that the possibility to realise the prepayments is very remote and hence provided an impairment of approximately RMB155,798,000 (2022: Nil) during the year.

(h) The amounts including prepaid value-added tax and related surcharges before the completion and settlement of the project.

(i) Prepayment costs were made for start-off costs on four (2022: Same) 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.

(j) The balances of non-current portion approximately RMB352,351,000 (2022: Nil) are mainly attributable to certain prepaid construction costs of construction projects in the PRC and these projects are expected to be gradually and fully recovered from 2025 onwards, and the underlying prepaid construction costs are classified as non-current.

22. CONTRACT COSTS

	2023	2022
	RMB'000	*RMB'000*
Contract costs	**114,098**	282,207

The following table set out the expenses of sales recognised in the current reporting period relating to carried-forward contract costs:

	RMB'000
Balance at 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 and 1 January 2023	**282,207**
Expenses recognised that was included in the contract costs at the beginning of the year	**(168,109)**
Balance at 31 December 2023	**114,098**

23. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	Notes	2023 RMB'000	2022 RMB'000
Cash and bank balances			
Short-term bank deposits		**12,000**	12,000
Cash at bank and in hand		**251,505**	564,923
		263,505	576,923
Less: Restricted cash, to secure for			
– guarantee deposits for borrowings	*(a)*	**(12,000)**	(12,000)
– the payment of construction cost of development projects	*(b)*	**(164,500)**	(351,085)
– mortgage guarantee	*32*	**(29,458)**	(49,035)
– others		**(4,853)**	(81,159)
		(210,811)	(493,279)
Cash and cash equivalents		**52,694**	83,644
Denominated in:			
– RMB	*(c)*	**237,242**	517,569
– US$		**1,405**	5,073
– HK$		**24,858**	54,281
		263,505	576,923

Notes:

(a) As at 31 December 2023, to secure certain subsidiaries' repayment of borrowings of approximately RMB308,108,000 (2022: RMB303,722,000), the bank deposits of RMB12,000,000 (2022: RMB12,000,000) was placed in local banks in the PRC.

(b) In accordance with terms set out in relevant documents, certain property development companies of the Group are required to place the pre-sale proceeds of properties received at designated bank accounts 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/ DISPOSAL OF A SUBSIDIARY

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 approximately RMB542,077,000. The subsidiary is engaged in property development in the 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 owned 20% equity interest in the Disposal Subsidiary A and provided the Group a borrowing with principal amount of approximately RMB280,000,000 as at 31 December 2022. The major classes of assets and liabilities relating to the Disposal Subsidiary A had been classified as held for sale in the consolidated statement of financial position of the Group as at 31 December 2022.

During the year ended 31 December 2023, the disposal of the equity shares of Disposal Subsidiary A was completed as approved in the shareholders' meeting of the Company held in April 2023, details please refer to the circular of the Company on 21 April 2023. Since then, the Group's effective interest in the Disposal Subsidiary A reduction from 73.73% to zero, and the assets, liabilities, profit or loss of the Disposal Subsidiary A were ceased to be consolidated in the Group during the year ended 31 December 2023. The loss on disposal of the Disposal Subsidiary A of approximately RMB7,725,000 (2022: Nil) and was recognised in the consolidated profit or loss of the Company during the year ended 31 December 2023.

24. ASSETS AND LIABILITIES OF A DISPOSAL SUBSIDIARY CLASSIFIED AS HELD FOR SALE/ DISPOSAL OF A SUBSIDIARY (continued)

The net carrying amounts of assets/(liabilities) of the Disposal Subsidiary A as at the disposal date in 2023 were as follows:

	21 April 2023 *RMB'000*
Non-current assets	
Property, plant and equipment	176
Deferred tax assets	78,260
	78,436
Current assets	
Properties under development	1,090,879
Other receivables, deposits and prepayments	104,434
Prepaid corporate income tax	8,517
Amount due from the Group to Disposal Subsidiary A	274,114
Contract costs	49,954
Restricted cash	798
Cash and cash equivalents	38,634
Accruals and other payables	(201,754)
Bank and other borrowings	(40,000)
Contract liabilities	(796,992)
	528,584
Net assets disposed of	607,020
Non-controlling interest at the disposal date	(57,218)
Loss on disposal of the Disposal Subsidiary A	(7,725)
Consideration	542,077
Total consideration including:	
– Cash	–
– Borrowing from Disposal Subsidiary A to the Group	280,000
– Amount due from the Disposal Subsidiary A to the Group	262,077
	542,077
Cash consideration	–
Less: Net cash and restricted cash disposed of Disposal Subsidiary A	(39,432)
	(39,432)

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade payables	*(a)*	**23,768**	35,952
Construction costs payable	*(b)*	**3,317,972**	2,708,306
Accrued taxes and surcharges	*(c)*	**772,964**	1,458,157
Other payables and accruals	*(d)*		
– Related parties	*38(e)*	**–**	274,477
– Third parties		**1,160,322**	834,290
Provision for litigations and litigation costs	*(e)*	**11,040**	8,946
Tender payable to the suppliers		**28,823**	78,880
Receipt in advance, rental and other deposits from residents and tenants			
– Related parties	*38(e)*	**18**	213
– Third parties		**55,197**	57,041
Accrued staff salaries and bonuses		**32,200**	17,448
		5,378,536	5,437,758

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

	2023 RMB'000	2022 RMB'000
Within 30 days	**7,765**	8,301
Over 30 days and within 90 days	**4,555**	6,531
Over 90 days and within 365 days	**4,717**	6,467
Over 365 days	**6,731**	14,653
Total trade payables	**23,768**	35,952

(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 of approximately RMB770,419,000 (2022: RMB1,454,105,000).

(d) Accruals and other payables are unsecured, interest-free, repayable on demand and non-trade in nature.

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (continued)

(e) During the year, the Group has been and is being sued by various parties for various reasons for which the Group has further made provision for litigations as disclosed in Note 37 to the consolidated financial statements and was recorded in the current liabilities as at 31 December 2023.

(f) The Group's trade payables, accruals and other payables are mainly denominated in RMB.

(g) The fair value of trade payables, accruals and other payables approximate their carrying amounts.

26. CONTRACT LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities	**2,739,133**	4,165,517

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.

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 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	(791,888)
Balance at 31 December 2022 and 1 January 2023	**4,165,517**
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(1,502,019)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**75,635**
Balance at 31 December 2023	**2,739,133**

26. CONTRACT LIABILITIES (continued)

(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.

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities balance at the beginning of the year	**1,502,019**	1,494,719

(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 2023 and 31 December 2022.

	2023	2022
	RMB'000	*RMB'000*
Unsatisfied performance obligations		
Expected to be recognised within one year	**2,133,043**	1,063,098
Expected to be recognised after one year	**606,090**	3,102,419
	2,739,133	4,165,517

The Group receive payments from customers based on billing schedule as established in property sales contracts. Payments are usually received in advance from sales of properties.

27. BANK AND OTHER BORROWINGS

	Notes	2023 Contractual interest rate (%)	2023 Original maturity	2023 RMB'000	2022 Contractual interest rate (%)	2022 Original maturity	2022 RMB'000
Non-current							
Bank borrowings							
– Secured	*(a)(i)*	**4.80%**	**2028-2033**	**2,632,066**	5.10%	2028-2033	2,648,901
Bonds							
– Unsecured	*(d)*	**7.50%-8.00%**	**2024-2034**	**1,826,033**	7.50%-8.00%	2024-2034	1,586,664
Other borrowings							
– Secured	*(b)(i)*	**2.80%-15.00%**	**2025-2028**	**663,541**	6.00%-15.00%	2023-2025	1,281,241
– Unsecured	*(b)(ii)*	**12.00%**	**2025-2026**	**264,406**	12.00%	2025-2026	236,594
Less: Current portion of non-current borrowings				**(498,371)**			(1,063,342)
				4,887,675			4,690,058
Current							
Current portion of non-current borrowings				**498,371**			1,063,342
Bank borrowings							
– Secured	*a(ii), a(iii)*	**7.22%-13.53%**	**2022-2033**	**956,726**	2.50%-7.22%	2022-2033	1,045,857
– Unsecured	*a(iii), a(iv)*	**4.72%-7.41%**	**2022**	**88,760**	–	–	–
Notes							
– Secured	*(c)*	**13.00%**	**2022**	**1,932,667**	13.00%	2022	1,703,969
– Unsecured	*(c)*	**13.00%**	**2023**	**2,606,618**	13.00%	2023	2,299,684
Bonds							
– Secured	*(d)*	**14.50%**	**2023**	**216,037**	14.50%	2023	158,486
– Unsecured	*(d)*	**7.00%-12.50%**	**2024**	**166,283**	7.00%-12.50%	2024	143,834
Other borrowings							
– Secured	*(b)(i)*	**6.00%-14.60%**	**2023-2024**	**1,256,272**	6.00%-12.00%	2022-2023	331,187
– Unsecured	*(b)(ii)*	**11.00%**	**2024**	**11,080**	–	–	–
				7,732,814			6,746,359
Total				**12,620,489**			11,436,417

27. BANK AND OTHER BORROWINGS (continued)

Notes:

(a) *Bank borrowings*

(i) As at 31 December 2023, the non-current bank borrowings comprised of (1) a borrowing with principal amount of approximately RMB292,195,000 (2022: RMB303,390,000) 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 assets as set out in note (h); and (2) a syndicated borrowing for a city redevelopment project with principal amount of approximately RMB2,335,989,000 (2022: RMB2,341,389,000) 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 as set out in note (h).

The effective interest rate of these bank borrowings are 4.80% (2022: 5.10%) per annum.

During the year ended 31 December 2023, none of the borrowings became overdue or immediately repayable. The accrued unpaid interests for above borrowings amounting to approximately RMB3,882,000 (2022: RMB4,122,000).

(ii) As at 31 December 2023, the bank borrowings to the extent of approximately RMB1,045,486,000 (2022: RMB1,045,857,000) became due for immediately repayable because of events of default, including:

– a borrowing with principal amounts of approximately RMB498,800,000 (2022: RMB499,000,000) 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 RMB45,770,000 (2022: RMB9,251,000) were immediately repayable. The bank has initiated the relevant procedures of enforcing charges on the aforesaid principal amount and interest payable as at 31 December 2023. The legal procedures of the enforcement have not been completed as at 31 December 2023.

– a borrowing and revolving loan with principal amount of Nil (2022: RMB48,655,000) and approximately RMB66,050,000 (2022: RMB142,928,000), 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 approximately RMB22,710,000 (2022: RMB5,897,000) were immediately repayable.

– a borrowing with principal amount of approximately RMB308,108,000 (2022: RMB303,722,000), 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 RMB104,048,000 (2022:RMB36,404,000) were immediately repayable.

These borrowings (except borrowings stated in note (a)(iv)) were secured by the Group's properties held for sale, properties under development, property, plant and equipment, investment properties and restricted cash as disclosed in note (h). The effective interest rate of these bank borrowings are ranging from 4.72% to 13.53% (2022: 2.5% to 7.22%) per annum.

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(a) *Bank borrowings (continued)*

(iii) During the year ended 31 December 2023, a bank in Hong Kong initiated certain legal actions against the Group in respect of a bank borrowing which was defaulted in 2022 with an outstanding principal amount of HK$340,000,000 and the interest and default interest payables of approximately HK$114,818,000 as at 31 December 2023. The bank borrowing was mainly secured by certain properties located in the PRC with carrying amount totaling of approximately RMB813,946,000 as at 31 December 2023 and 100% equity interest of a subsidiary incorporated in Hong Kong, which is the immediate holding company of the company incorporated in the PRC holding the Pledged Properties. The legal actions mainly include (i) an arbitration in the PRC initiated by the bank which resulted in a legal proceeding with the Guangdong Province Guangzhou City Intermediate People's Court of the PRC. Pursuant to the court order, certain Pledged Properties, with a carrying amount of approximately RMB326,794,000 were frozen and seizure, which were restricted from transfer or pledge during the existence of the court order but the operations of the PRC subsidiary will not be hindered by the imposition of the court order; and (ii) an appointment of joint and several receivers and managers over Charged Shares which could be registered under the names of the Receiver, pursuant to the powers contained in the respective loan agreement. Receivership may result in the sale of the Charged Shares to other third-party purchasers according to the relevant law. As at 31 December 2023 and up to the date of the approval of the consolidated financial statements, the litigation in Hong Kong had not yet concluded, no action has yet taken or been identified in respect of the sale of the Pledged Properties, and that no settlement agreement has been entered into in respect of the disposal of the Charged Shares.

(iv) In November 2023, the Company had been notified by the receivers of the mortgage and revolving loan with an outstanding principal and the accrued but unpaid interest thereon of approximately HK$242,195,000, that a formal sale and purchase agreement for disposal of one of the office premises and two car parking spaces classified as "Investment Properties" and "Property, plant and equipment" respectively had been signed at consideration of HK$145,880,000 (equivalent to approximately RMB132,721,000). The net proceeds from such disposal were used to repay the outstanding mortgage and revolving loan due by the Group. Details of the transactions are set out in Note 15(iv).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(b) Other borrowings

(i) As at 31 December 2023, the secured other borrowings comprised of (1) eight (2022: two) short-term borrowings with aggregated principal amount of RMB284,600,000 (2022: RMB330,000,000); and (2) nine (2022: six) long-term borrowings with aggregated principal amount of approximately RMB1,465,943,000 (2022: RMB1,251,727,000) that were repayable in 2023 to 2028. These borrowings carried fixed interest rates ranging from 2.8% to 15.0% (2022: 6.0% to 15.0%) per annum.

The borrowings were secured by the Group's investment properties, properties held for sale and properties under development, right-of-use assets and property, plant and equipment as set out in note (h).

During the year ended 31 December 2023, four (2022: Nil) borrowings of RMB1,012,811,000 became due for immediately repayable as a result of the event of default.

The accrued unpaid interests amounting to approximately RMB142,630,000 (2022: RMB30,701,000). The accrued default interest of approximately RMB26,640,000 which was recognised as of 31 December 2023.

(ii) During the year ended 31 December 2023, the Group has unsecured borrowings from the independent third parties which are not the financial institutions comprised of four (2022: two) borrowings with aggregated principal amount of approximately RMB234,000,000 (2022: RMB221,000,000) carried fixed interest rate ranging from 11.00% to 12.00% per annum and repayable in January 2024 to January 2026 (2022: repayable in January 2026). The unsecured other borrowings of RMB14,160,000 were interest-free, which borrowed from spouse of Mr. YU Pan (Note 38(e)).

During the year ended 31 December 2023, none of the borrowing became overdue or immediately repayable.

As at 31 December 2023, the accrued unpaid interests thereon amounting to approximately RMB27,326,000 (2022: RMB15,594,000).

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:

	2022 Notes	2023 Notes
Nominal amount:	US$274,000,000	US$292,000,000
Nominal amount:	RMB1,908,300,000	RMB2,033,663,000
Issue date:	2019/7/8-2019/11/14	2020/12/16-2021/6/7
Security code:	ISIN: XS2022224047	ISIN: XS2272702338
Interest rate:	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:	13.15%-13.26%	14.05%
Final maturity date:	8 July 2022	16 December 2023
Collateral:	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 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:

	2023	2022
	RMB'000	*RMB'000*
2022 Notes	**1,932,667**	1,703,969
2023 Notes	**2,606,618**	2,299,684
	4,539,285	4,003,653

During the years ended 31 December 2023 and 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.

During the year ended 31 December 2023, the Group entered into the RSA with respective creditors, up to the date of approval of the consolidated financial statements, the proposed debt restructuring schemes are yet to be approved by the requisite majorities of the Scheme Creditors are pending approval at the scheme meetings.

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.	7.5%–8.0% per annum prepaid, and 0.1% payable annually	7.5%–8.0% per annum 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 (2022: RMB65,700,000) 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:

	2023	2022
	RMB'000	*RMB'000*
2022/2023 Bonds	**216,037**	158,486
2023/2024 Bonds	**166,283**	143,834
2024-2033 Bonds	**1,300,119**	1,128,657
2027/2034 Bonds	**525,914**	458,007
	2,208,353	1,888,984

As at 31 December 2023, the bond was secured by the Group's properties held for sale as disclosed in note (h).

As at 31 December 2023, the bonds with principal of approximately RMB282,387,000 (2022: 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 2023, 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 2023, the accrued but unpaid interests thereon amounting to approximately RMB99,933,000 (2022: RMB24,299,000).

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(d) *Bonds (continued)*

2024-2033 Bonds are listed on Stock Exchange. As at 31 December 2023 and 2022, the trading of the 2024-2033 Bonds was suspended.

As at 31 December 2023, the remaining balance of bonds amounting to approximately RMB1,561,752,000 (2022: 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.

During the year ended 31 December 2023, the Group entered into the RSA with respective creditors, up to the date of approval of the consolidated financial statements, the proposed debt restructuring schemes are yet to be approved by the requisite majorities of the Scheme Creditors are pending approval at the scheme meetings.

(e) *The maturity and fair value of the borrowings are as follows:*

	Secured bank borrowings	Unsecured 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*	*RMB'000*
As at 31 December 2023									
– Within 1 year	**991,498**	**88,760**	**1,932,667**	**2,606,618**	**216,037**	**430,564**	**1,348,944**	**117,726**	**7,732,814**
– 1-2 years	**30,320**	**–**	**–**	**–**	**–**	**60,936**	**403,039**	**126,600**	**620,895**
– 2-5 years	**2,395,809**	**–**	**–**	**–**	**–**	**73,871**	**167,829**	**17,000**	**2,654,509**
– Over 5 years	**171,165**	**–**	**–**	**–**	**–**	**1,426,946**	**–**	**14,160**	**1,612,271**
Carrying amount	**3,588,792**	**88,760**	**1,932,667**	**2,606,618**	**216,037**	**1,992,317**	**1,919,812**	**275,486**	**12,620,489**
Fair value	**3,588,792**	**88,760**	**23,631**	**28,272**	**216,037**	**1,992,317**	**1,919,812**	**275,486**	**8,133,107**
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

27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(f) *As at 31 December 2023, the Group had the following undrawn borrowing facilities:*

	2023	2022
	RMB'000	*RMB'000*
Variable rate:		
– Expiring within 1 year	**28,000**	–
– Expiring beyond 1 year	**5,879,000**	4,774,000
	5,907,000	4,774,000

(g) *As at 31 December 2023, the Group's borrowings were denominated in the following currencies:*

	2023	2022
	RMB'000	*RMB'000*
RMB	**5,371,935**	5,006,174
HK$	**2,493,232**	2,268,104
US$	**4,755,322**	4,162,139
	12,620,489	11,436,417

(h) *As at 31 December 2023, 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:*

	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment *(Note 13)*	**46,563**	75,968
Right-of-use assets *(Note 14)*	**88,643**	84,227
Investment properties *(Note 15)*	**2,574,960**	1,664,370
Properties under development *(Note 18)*	**8,693,292**	9,091,193
Properties held for sale *(Note 19)*	**1,548,614**	937,941
Pledged deposits *(Note 23)*	**12,000**	12,000
	12,964,072	11,865,699

In addition, as at 31 December 2023 and 2022, 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.

– A share charge of the entire shareholding interest over Winprofit Investment Enterprises Limited, a direct wholly-owned subsidiary of the Company.

28. DEFERRED TAX ASSETS/LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2023	2022
	RMB'000	*RMB'000*
Deferred income tax assets		
To be realised after more than 12 months	**145,852**	482,101
To be realised within 12 months	**48,292**	44,150
	194,144	526,251
Deferred income tax liabilities		
To be realised after more than 12 months	**(261,701)**	(367,229)
To be realised within 12 months	**–**	–
	(261,701)	(367,229)
	(67,557)	159,022

The net movements on the deferred income tax are as follows:

	2023	2022
	RMB'000	*RMB'000*
Beginning of the year	**159,022**	(143,465)
Classified as held for sale	**–**	(9,810)
Partial disposal of a subsidiary *(Note 31)*	**–**	11,070
Tax (expense)/credit to consolidated income statement *(Note 10)*	**(226,579)**	301,227
End of the year	**(67,557)**	159,022

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	Impairment losses on properties under development and properties held for sale	Impairment losses on trade and other receivables and amounts due from non-controlling interests	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	**65,421**	**18,192**	**209,837**	**279,855**	**41,704**	**30,751**	**645,760**
(Charged)/credited to consolidated profit or loss	**(36,788)**	**(18,192)**	**7,367**	**(189,016)**	**(41,704)**	**(23,963)**	**(302,296)**
As at 31 December 2023	**28,633**	**–**	**217,204**	**90,839**	**–**	**6,788**	**343,464**
As at 1 January 2022	92,585	13,681	229,782	22,509	15,641	18,896	393,094
Classified as held for sale *(Note 24)*	–	–	(6,787)	–	–	(3,023)	(9,810)
(Charged)/credited to consolidated profit or loss	(27,164)	4,511	(13,158)	257,346	26,063	14,878	262,476
As at 31 December 2022	65,421	18,192	209,837	279,855	41,704	30,751	645,760

(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 2023	**(14,657)**	**(345,387)**	**(57,362)**	**(69,332)**	**(486,738)**
Credited to consolidated profit or loss	**259**	**73,625**	**–**	**1,833**	**75,717**
At 31 December 2023	**(14,398)**	**(271,762)**	**(57,362)**	**(67,499)**	**(411,021)**
As at 1 January 2022	(14,916)	(390,612)	(47,721)	(83,310)	(536,559)
Partial disposal of a subsidiary *(Note 31)*	–	–	11,070	–	11,070
Credited/(charged) to consolidated 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)

28. DEFERRED TAX ASSETS/LIABILITIES (continued)

(b) Deferred income tax liabilities (continued)

As at 31 December 2023, the Group has estimated unutilised tax losses of approximately RMB6,036,306,000 (2022: RMB4,227,975,000) for offsetting against future assessable profits. RMB114,532,000 out of the tax losses has been recognised as deferred tax assets as at 31 December 2023 (2022: RMB261,684,000). The unrecognised tax losses include a balance of approximately RMB3,624,266,000 (2022: RMB2,634,859,000) which may be carried forward indefinitely, and the remaining balance of approximately RMB3,197,956,000 (2022: RMB1,331,432,000) will expire in five years.

Year	*RMB'000*
2024	64,744
2025	155,422
2026	41,050
2027	1,041,608
2028	1,895,132
Indefinite	3,624,266
Unrecognised tax losses	6,822,222

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 2023, 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 the PRC in the foreseeable future (2022: Nil).

29. SHARE CAPITAL AND SHARE PREMIUM

	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 2022, 1 January 2023 and 31 December 2023	90,000,000	300,000	311,316		
Issued and fully paid:					
At 31 December 2022, 1 January 2023 and 31 December 2023	8,446,331	28,234	26,092	940,898	966,990

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
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 and at 1 January 2023		**2,685**	**–**	**(132,578)**	**906,598**	**(1,143,285)**	**(366,580)**
Reallocation of lapsed options from share-based payment reserve to retained profits	*33*	**(1,360)**	**–**	**–**	**–**	**1,360**	**–**
Transfer of reserve		**–**	**–**	**132,578**	**–**	**(132,578)**	**–**
Loss for the year		**–**	**–**	**–**	**–**	**(3,489,387)**	**(3,489,387)**
At 31 December 2023		**1,325**	**–**	**–**	**906,598**	**(4,763,890)**	**(3,855,967)**

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)/income and gains – net" in the consolidated 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
Non-controlling interests at the Disposal Date	(142,954)
Loss on partial disposal of the Disposal Subsidiary B	(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 the Disposal Subsidiary B	(1)
Net cash inflow of disposal of a subsidiary	224,999

32. FINANCIAL GUARANTEE CONTRACT

	2023	2022
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,924,441**	3,277,635

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

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 2023, share options of 68,249,333 (2022: 76,799,933) granted under 2015 scheme were outstanding.

33. SHARE OPTION SCHEME (continued)

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 2022	Options exercised	Options lapsed/ cancelled	Number of options outstanding at 31 December 2022 and 1 January 2023	Options exercised	Options lapsed/ cancelled	Number of options outstanding at 31 December 2023
26 June 2015	26 June 2016 to 25 June 2025	HK$1.0820	HK$0.3607	5,020,500	–	–	5,020,500	–	–	5,020,500
26 June 2015	26 June 2017 to 25 June 2025	HK$1.0820	HK$0.3607	2,816,600	–	–	2,816,600	–	–	2,816,600
26 June 2015	26 June 2018 to 25 June 2025	HK$1.0820	HK$0.3607	9,563,333	–	(578,100)	8,985,233	–	–	8,985,233
26 June 2015	26 June 2019 to 25 June 2025	HK$1.0820	HK$0.3607	12,687,500	–	(729,000)	11,958,500	–	–	11,958,500
26 June 2015	26 June 2020 to 25 June 2025	HK$1.0820	HK$0.3607	12,155,600	–	(729,000)	11,426,600	–	–	11,426,600
26 June 2015	26 June 2021 to 25 June 2025	HK$1.0820	HK$0.3607	19,948,500	–	(1,587,000)	18,361,500	–	(4,290,000)	14,071,500
26 June 2015	26 June 2022 to 25 June 2025	HK$1.0820	HK$0.3607	19,809,000	–	(1,578,000)	18,231,000	–	(4,260,000)	13,971,000
				82,001,033	–	(5,201,100)	76,799,933	–	(8,550,000)	68,249,933
Weighted average exercise price				HK$0.3607	–	HK$0.3607	HK$0.3607	–	HK$0.3607	HK$0.3607
Directors and other employees				82,001,033	–	(5,201,100)	76,799,933	–	(8,550,000)	68,249,933

33. SHARE OPTION SCHEME (continued)

The fair value of option granted on 26 June 2015 was HK$0.58 which was determined using Binomial Model by an independent valuer.

The share options granted on 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	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. For the year ended 31 December 2022, the Group recognised RMB225,000, as equity-settled share-based payment expenses in relation to share options granted by the Company.

During the year, none of the share options were exercised (2022: Nil).

During the year, 8,550,000 (2022: 5,201,100) share options were lapsed or cancelled, the respective amounts of share options reserve of approximately RMB1,360,000 (2022: RMB2,398,000) 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 2023, the Group did not recognise any share award scheme expenses in relation to share award scheme granted by the Company (2022: Nil).

During the year ended 31 December 2023, none of the vested shares (2022: 19,250,009 vested 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.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash from operating activities

	Notes	2023 RMB'000	2022 RMB'000
Loss before income tax		**(3,573,415)**	(3,844,379)
Adjustments for:			
Finance costs – net	7	**1,219,370**	1,089,734
Equity-settled share-based payment expenses	33, 34	**–**	225
Depreciation of property, plant and equipment	13	**6,582**	17,270
Amortisation of right-of-use assets	14	**11,159**	11,159
Fair value changes in financial assets at FVPL	20	**–**	249,219
Share of loss in a joint venture, net of tax	16	**–**	3,988
Share of loss in an associate, net of tax	17	**–**	641
Loss on derecognition of an associate	17	**14,336**	–
Impairment loss of interest in a joint venture	16	**20,162**	20,161
Impairment loss of trade receivables, deposits and other receivables	21	**21,800**	116,670
Impairment loss of amounts due from non-controlling interest	21	**154,429**	117,028
Impairment loss of prepayments	21	**155,798**	–
Impairment loss of properties under development and properties held for sale	18, 19	**928,212**	1,169,096
Loss on disposal of property, plant and equipment	13	**–**	12,797
Loss on disposal of investment properties and property, plant and equipment	15(iv)	**11,414**	–
Impairment loss on property, plant and equipment	13	**1,000**	1,669
Fair value changes in investment properties	15	**294,500**	204,447
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale	24	**–**	12,093
Loss on disposal of a subsidiary	24	**7,725**	–
Net loss on partial disposal of a subsidiary	31	**–**	77,361
Operating loss before working capital changes		**(726,928)**	(740,821)
Decrease in properties under development		**424,520**	733,558
Increase in properties held for sale		**(488,286)**	(392,209)
Decrease/(increase) in trade receivables, deposits and other receivables		**1,659,467**	(856,702)
Decrease in trade payables, accruals and other payables		**(66,301)**	(725,494)
Decrease/(increase) in contract costs		**168,109**	(33,820)
Decrease in restricted cash		**282,468**	76,182
Decrease in contract liabilities		**(1,144,722)**	(430,189)
Cash generated from/(used in) operations		**108,327**	(2,369,495)
PRC corporate income tax paid		**(2,116)**	(16,134)
PRC land appreciation tax paid		**(8,970)**	(83,687)
Net cash generated from/(used in) operating activities		**97,241**	(2,469,316)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

	Notes	Bank and other borrowings RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2023		**11,436,417**	**–**	**209,222**	**11,645,639**
Inflow from financing activities		**541,349**	**–**	**–**	**541,349**
Outflow from financing activities		**(218,575)**	**–**	**–**	**(218,575)**
Interest paid		**(448,157)**	**–**	**–**	**(448,157)**
Other changes	*(ii)*	**1,309,455**	**–**	**20,494**	**1,329,949**
As at 31 December 2023		**12,620,489**	**–**	**229,716**	**12,850,205**
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

(i) Material non-cash transaction:

During the year ended 31 December 2022, 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) During the year, other non-cash movements mainly comprise: i) accrued lease liabilities (2022: Same); ii) foreign exchange adjustment (2022: Same); and iii) Nil (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**3,371**	6,017

(b) Other commitments

	2023	2022
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**6,590,016**	6,488,407

37. LITIGATIONS, PROVISION AND CONTINGENT LIABILITIES

Save as disclosed elsewhere in the consolidated financial statements, as at 31 December 2023, there were several litigation claims initiated by the sub-contractors against the Group to demand immediate repayment of overdue payables in relation to construction costs with an aggregate amount of approximately RMB795,168,000 and the late penalty charges of approximately RMB17,310,000 and corresponding legal costs of approximately RMB180,000. An aggregate amount of approximately RMB774,702,000 had already been recognised as payables to these contractors included in other payables in the consolidated statement of financial position as at 31 December 2023. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of approximately RMB9,428,000 and corresponding legal costs of approximately RMB180,000 in the consolidated financial statements for the year ended 31 December 2023.

Up to the date of approval of the consolidated financial statements, the number of pending litigations relating to the daily operations payables, delayed delivery of several projects and other matters with a total subject amount of approximately RMB1,568,448,000. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations after taking the internal legal advice.

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)* (“**Fengjia**”)	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**”) (ceased to be related party during the year)	Controlled by close family member of the ultimate controlling shareholder
廣州市宇成智算投資有限公司 (曾用名：廣州市明安醫療投資有限公司) (Guangzhou Yucheng Zhisuan Investment Company Limited) (Previous name: Guangzhou Mingan Medical Investment Company Limited)*(“**Guangzhou Yucheng**”) (ceased to be related party during the year)	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 2023 and 2022, the Group had the following significant transactions with related parties:

	2023	2022
	RMB'000	*RMB'000*
Nature of transactions		
Rental income received from a director of a subsidiary of the Company and a related company controlled by close family member of the ultimate controlling shareholder	**15**	1,389

(c) Personal guarantee by the ultimate controlling shareholder

As at 31 December 2023 and 2022, Mr. YU Pan or together his spouse have provided guarantee to banks in respect of the loan facilities extended to certain 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:

	2023	2022
	RMB'000	*RMB'000*
Short-term benefits	**8,960**	14,411
Other long-term benefits	**318**	478
Equity-settled share-based payment expenses	**–**	13
	9,278	14,902

38. RELATED PARTY TRANSACTIONS (continued)

(e) Balances with related parties

Save as disclosed above, as at 31 December 2023 and 2022, the Group has the following significant balances with related parties:

	2023	2022
	RMB'000	*RMB'000*
Amounts with related parties included in other payables, other receivables and other borrowings:		
Fengjia, Lvjing Holding and Guangzhou Yucheng	**(18)**	(213)
Other borrowings from the spouse of Mr. YU Pan *(Note 27(b)(ii))*	**(14,160)**	–
Amounts due from non-controlling interests *(Note 21)*	**921,828**	1,050,678
Amount due to Disposal Subsidiary A classified as held for sale *(Note (i))*	**–**	(274,477)
Other borrowing from non-controlling interests of Disposal Subsidiary A	**–**	(280,000)
	907,650	495,988

Notes:

(i) Included in the amount due to Disposal Subsidiary A classified as held for sale as at 31 December 2022 of approximately RMB262,077,000 had been offset against as part of sales consideration of its disposal (Note 24).

(ii) 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 years ended 31 December 2023 and 2022 are set out below: Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

	Fees *RMB'000*	Salaries and other benefits *RMB'000* *(Note (a))*	Bonuses *RMB'000* *(Note (b))*	Contributions to defined contribution pension plan *RMB'000*	Total *RMB'000*
2023					
Executive directors					
YU Pan	–	1,572	–	12	1,584
WANG Chenghua (resigned on 2 June 2023)	–	840	–	8	848
JIN Zhifeng	–	2,112	–	16	2,128
Non-executive directors					
WANG Kailing (appointed on 17 June 2022)	–*	–	–	–	–*
Independent non-executive directors					
WEN Xiangjing (appointed on 27 June 2022)	120	–	–	–	120
CUI Yuan (appointed on 27 June 2022)	120	–	–	–	120
TANG Yu (appointed on 27 June 2022)	120	–	–	–	120
	360	4,524	–	36	4,920

39. BENEFITS OF DIRECTORS (continued)

	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 (resigned on 2 June 2023)	–	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

* *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) As all the share-based compensation expenses in respect of the share option have been fully amortised, no estimation of the expected percentage of grantees that will stay with the Group at the end of exercise period of the shares option (the "**Expected Retention Rate**") in order to determine the amount of expenses charges to profit or loss is required. As at 31 December 2022, the Expected Retention Rate was assessed at 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.

(d) Fees, salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(e) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

(f) During the year, no emoluments were paid by the Group to the directors as inducement to join or upon joining the Group, or as compensation for loss of office (2022: Nil).

40. BALANCE SHEET OF THE COMPANY

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Interests in subsidiaries	42	**101,470**	101,470
Amounts due from subsidiaries	42	**944,853**	933,164
		1,046,323	1,034,634
Current assets			
Amounts due from subsidiaries	42	**1,139,328**	4,045,924
Other receivables and prepayments		**13,074**	12,584
Cash and cash equivalents		**104**	99
		1,152,506	4,058,607
Current liabilities			
Accruals and other payables		**6,410**	26,781
Bank and other borrowings		**2,775,386**	2,262,552
Income tax payable		**55,830**	55,830
		2,837,626	2,345,163
Net current (liabilities)/assets		**(1,685,120)**	1,713,444
Total assets less current liabilities		**(638,797)**	2,748,078
Non-current liabilities			
Bank and other borrowings		**1,561,752**	1,512,042
		1,561,752	1,512,042
Net (liabilities)/assets		**(2,200,549)**	1,236,036
Capital and reserves			
Share capital	29	**26,092**	26,092
Other reserves	41	**2,054,419**	2,018,255
Accumulated losses	41	**(4,281,060)**	(808,311)
(Capital deficiency)/Total equity		**(2,200,549)**	1,236,036

JIN Zhifeng
Director

YU Pan
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 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)
As at 31 December 2022 and at 1 January 2023		**940,898**	**1,112,196**	**2,685**	**–**	(37,524)	**(808,311)**	**1,209,944**
Reallocation of lapsed options from share-based payment reserve to accumulated losses	33	**–**	**–**	**(1,360)**	**–**	**–**	**1,360**	**–**
Transfer of reserve		**–**	**–**	**–**	**–**	**37,524**	**(37,524)**	**–**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(3,436,585)**	**(3,436,585)**
At 31 December 2023		**940,898**	**1,112,196**	**1,325**	**–**	**–**	**(4,281,060)**	**(2,226,641)**

42. PRINCIPAL SUBSIDIARIES

	Notes	2023 RMB'000	2022 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)*	**4,952,785**	5,007,692
Less: Provision for impairment loss		**(2,868,604)**	(28,604)
		2,084,181	4,979,088
		2,185,651	5,080,558

42. PRINCIPAL SUBSIDIARIES (continued)

Notes:

(a) Details of the Company's principal operating subsidiaries as at 31 December 2023 and 2022 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
		2023	2022	**2023 Directly**	**2023 Indirectly**	2022 Directly	2022 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%**	–	97%	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%	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 (Guangxi Zhongqing Yiju Investment Company Limited)*^ ("**Zhongqing Yiju**") *(Note(i))*	PRC	**RMB60,000,000**	RMB60,000,000	**–**	**38.8%**	–	38.8%	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%**	–	98%	Investment holding and property leasing in the PRC
廣州市創粵置業有限公司 (Guangzhou Chuangyue Realty Company Limited)*	PRC	**–**	–	**–**	**98%**	–	–	Investment holding
廣州海涌房地產有限公司 (Guangzhou Haiyong Property Limited)*	PRC	**RMB100,000,000**	RMB100,000,000	**–**	**86.2%**	–	86.2%	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%**	–	77.6%	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%**	–	99%	Property management services in the PRC
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%**	–	99%	Provision of innovative technology operating services in the PRC
廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited)*	PRC	**RMB100,000,000**	RMB100,000,000	**–**	**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**	US$103	**–**	**97%**	–	97%	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 2023 and 2022 are as follows: (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital 2023	2022	Percentage of equity interest held by the Company 2023 Directly	2023 Indirectly	2022 Directly	2022 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%**	–	99.1%	Property development in the PRC
Guangzhou Zhoutouzui Development Limited®	Hong Kong	**HK$100**	HK$100	**–**	**100%**	–	100%	Investment holding in Hong Kong
桂林荔蒲天譽文旅投資有限公司 (Guilin Lipu Tianyu Wenlu Investment Company Limited)*	PRC	**–**	–	**–**	**97%**	–	97%	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%**	–	64.2%	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**	RMB8,000,000	**–**	**77.6%**	–	77.6%	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%**	–	77.6%	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%**	–	78.4%	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%**	–	98%	Property development in the PRC
Skyfame International Holdings Limited	BVI	**US$100**	US$100	**–**	**100%**	–	100%	Provision of financing
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 in Hong Kong

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(a) Details of the Company's principal operating subsidiaries as at 31 December 2023 and 2022 are as follows: (continued)

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
		2023	2022	2023 Directly	2023 Indirectly	2022 Directly	2022 Indirectly	
Waymax Investments Limited	Hong Kong	**HK$1**	HK$1	**–**	**100%**	–	100%	Property investments in Hong Kong
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	**–**	**88.6%**	–	**88.6%**	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	**–**	**98%**	–	50%	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%**	–	77.6%	Property development in the PRC

* English name is for identification purpose only

\# The Group disposed of 73.73% equity interest in the subsidiary during the year (Note 24).

^ As at 31 December 2023 and up to the approval date of the consolidated financial statements, the equity interests of these subsidiaries of the Company are remained frozen due to various litigations.

@ Subsidiaries under receivership.

(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 shareholders' agreement has no expiry date hence the Group is able to exercise control of the entity and thus it is regarded as a subsidiary of the Group.

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) Non-wholly owned subsidiaries with material non-controlling interests

Zhongqing Yiju and Tianyu Jurong have non-controlling interests of 60% and 20% respectively that are material to the Group as at 31 December 2023 and 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 statements of financial position

	Zhongqing Yiju		**Tianyu Jurong**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**1,027,608**	1,063,709	**12,928,633**	12,777,872
Current liabilities	**(994,220)**	(397,942)	**(7,435,637)**	(6,236,713)
Net current assets	**33,388**	665,767	**5,492,996**	6,541,159
Non-current assets	**714,761**	199,236	**1,605,824**	576,755
Non-current liabilities	**(212,209)**	(191,732)	**(5,438,262)**	(5,386,519)
Net non-current assets/(liabilities)	**502,552**	7,504	**(3,832,438)**	(4,809,764)
Net assets	**535,940**	673,271	**1,660,558**	1,731,395
Accumulated non-controlling interests of the Group	**321,564**	474,179	**381,800**	418,156

Summarised statements of comprehensive income

	Zhongqing Yiju		**Tianyu Jurong**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**5,070**	206,406	**750,803**	86,720
Loss for the year	**(254,358)**	(98,433)	**(70,838)**	(300,058)
Total comprehensive loss	**(254,358)**	(98,433)	**(70,838)**	(300,058)
Loss allocated to non-controlling interests of the Group	**(152,615)**	(59,060)	**(36,356)**	(60,012)

42. PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(c) Non-wholly owned subsidiaries with material non-controlling interests (continued)

Summarised statements of cash flows

	Zhongqing Yiju		Tianyu Jurong	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash flows from/(used in) operating activities	**101,560**	(849,336)	**615,790**	(2,126,123)
Cash (used in)/flows from investing activities	**(103,538)**	786,424	**(1,009,946)**	828,784
Cash flows from financing activities	**–**	–	**254,808**	887,664
Net decrease in cash and cash equivalents	**(1,978)**	(62,912)	**(139,348)**	(409,675)

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation of the consolidated financial statements.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024.

FIVE YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group:

	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
For the year ended 31 December					
Revenue	**1,632,355**	2,069,989	7,662,876	7,702,150	6,591,043
(Loss)/profit before income tax	**(3,573,415)**	(3,844,379)	683,447	1,919,867	1,579,850
Income tax (expense)/credit	**(280,611)**	249,690	(573,979)	(916,855)	(747,868)
(Loss)/profit for the year	**(3,854,026)**	(3,594,689)	109,468	1,003,012	831,982
Attributable to					
– Owners of the Company	**(3,489,387)**	(3,491,272)	(284,209)	950,900	792,258
– Non-controlling interests	**(364,639)**	(103,417)	393,677	52,112	39,724
	(3,854,026)	(3,594,689)	109,468	1,003,012	831,982
FINANCIAL POSITION					
At 31 December					
Total assets	**20,790,405**	25,965,211	30,776,471	29,061,741	22,851,765
Total liabilities	**(22,985,199)**	(24,258,100)	(25,156,763)	(24,266,983)	(19,101,719)
Net (liabilities)/assets	**(2,194,794)**	1,707,111	5,619,708	4,794,758	3,750,046
Non-controlling interests	**(694,183)**	(1,106,701)	(1,392,364)	(447,054)	(210,873)
(Capital deficiency)/equity attributable to owners of the Company	**(2,888,977)**	600,410	4,227,344	4,347,704	3,539,173

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Project/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 *(Note 1)* *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 at 31 December 2023 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	23,000	100.0%	1,314,000	1,314,000	687,437	687,437
2. Shenzhen Skyfame Health Smart City, Guangming District, Shenzhen	Serviced apartment & commercial	Construction in progress	2026	183,000	128,000	98.0%	1,773,000	1,737,500	1,773,000	1,737,540
3. Zhongshan Skyfame Rainbow, West District, Zhongshan	Residential & ancillary commercial	Completed	2020	105,000	–	98.0%	–	–	–	–
4. Skyfame Zhuhai Bay, Pingshan New Town, Zhuhai	Residential & ancillary commercial	Completed/ Construction in progress	2023 – 2025	298,000	144,000	77.6%	882,000	684,400	860,358	667,638
In Southern Region:										
5. Nanning Skyfame Garden, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2016 – 2018	1,202,000	17,000	77.6%	232,000	180,000	53,532	41,541
6. Nanning Skyfame ASEAN Maker Town, Wuxiang New District, Liangqing District, Nanning	Composite development	Completed/ Construction in progress	2018 – 2026	1,305,000	230,000	77.6%	1,506,000	1,168,700	1,141,549	885,842
7. Nanning Spiritual Mansions, Wuxiang New District, Liangqing District, Nanning	Residential & ancillary commercial	Completed	2020 – 2022	749,000	23,000	38.8%	124,000	48,100	105,643	40,989
8. Guilin Lipu Skyfame Jade Valley, Licheng Town, Lipu City, Guilin	Villas, residential & serviced apartments	Construction in progress	2024 – 2026	236,000	230,000	97.0%	375,000	363,800	375,000	363,825
In Eastern Region:										
9. Xuzhou Skyfame Time City, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed	2019 – 2021	470,000	14,000	70.0%	20,000	14,000	10,436	7,305
10. Xuzhou Skyfame Elegance Garden, Quanshan District, Xuzhou	Residential & ancillary commercial	Completed	2021 – 2023	205,000	12,000	78.0%	68,000	53,000	54,589	42,579
11. Xuzhou Skyfame Smart City, Quanshan District, Xuzhou	Residential & ancillary commercial	Construction in progress	2024 – 2025	538,000	431,000	88.6%	1,779,000	1,575,800	1,652,538	1,463,818
12. Nanchang Skyfame Fenghuangyue, Anyi County, Nanchang	Residential & ancillary commercial	Completed	2013	119,000	35,000	64.2%	115,000	73,800	114,059	73,214
In Southwestern Region:										
13. Chongqing Skyfame • Smart City, Danzishi, Nanan District, Chongqing	Composite development	Completed/ construction in progress	2017 – 2028	1,195,000	239,000	97.0%	2,238,000	2,171,300	1,954,658	1,896,409
14. Kunming Anning Linxi Valley, Anning, Kunming	Residential & ancillary commercial	Completed/ construction in progress	2022 – 2024	295,000	57,000	40.0%	193,000	77,200	193,000	77,200
15. Kunming Skyfame City, Anning, Kunming	Residential & ancillary commercial	Completed/ construction in progress	2022 – 2027	507,000	277,000	90.0%	542,000	487,800	535,242	481,718
				7,722,000	1,860,000		11,161,000	9,949,400	9,511,041	8,467,055
In Guangdong-Hong Kong-Macao Greater Bay Area, project will be completed over 3 years:										
16. 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	4,055,174 *(Note 2)*	3,146,815
				9,826,000	2,761,000		11,161,000	9,949,400	13,566,215	11,613,870

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT, PROPERTIES HELD FOR SALE AND INVESTMENT PROPERTIES

Project/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*	Carrying amount *RMB'000*	Carrying amount attributable to the Group *RMB'000*
(B) Details of the Group's investment properties at 31 December 2023 are as follows:									
1. Apartments in Chongqing Skyfame Smart City, Danzishi, Nanan District, Chongqing	Serviced apartment	Construction in progress	2028	248,800	97.0%	**1,265,000**	**1,227,300**	1,265,000	1,227,300
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%	**643,000**	**499,000**	643,000	499,000
3. 800 Car parking spaces, Skyfame Byland, Haizhu District, Guangzhou	Car parking	Completed	2017	10,414	100.0%	**470,000**	**470,000**	256,000	256,000
4. Commercial podium, Tianyu Garden Phase 2, Tianhe District, Guangzhou	Office/Retail	Completed	2001	17,343	98.0%	**415,000**	**406,700**	415,000	406,700
5. Office premises, Huancheng HNA Plaza, Tianhe District, Guangzhou	Office	Completed	2016	1,498	98.0%	**47,600**	**46,600**	47,600	46,600
				328,148		**2,840,600**	**2,649,600**	2,626,600	2,435,600

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 2023. 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. We had not completed the necessary procedures in acquisition of the lands of the project and had not yet obtained all land use rights certificates as at 31 December 2023.

3. 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.