Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2022

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Dafan *(Chairman)*
Mr. Wang Jianwen *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-Executive Director

Mr. Wang Wenjin

Independent Non-Executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

AUDIT COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

REMUNERATION COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

NOMINATION COMMITTEE

Mr. Zhang Dafan *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE

Mr. Zhang Dafan *(Chairman)*
Mr. Wang Jianwen
Mr. Lin Kaihua
Mr. Chu Wing Yiu

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

59/F., Bank of China Tower, 1 Garden Road, Hong Kong

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman
KY1-1108, Cayman Islands

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F, Prince's Building, Central, Hong Kong

HONG KONG LEGAL ADVISER

HW Lawyers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Nanyang Commercial Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY'S WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Mr. Wang Jianwen
Mr. Fong Fuk Wai

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Revenue	**3,072,451**	1,474,128
Loss attributable to equity holders of the Company	**(1,912,536)**	(883,252)
Basic loss per share (RMB)	**(2.88)**	(1.49)

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	**1,915,139**	3,331,662
Total assets	**22,776,039**	26,342,763
Total assets less current liabilities	**12,398,284**	15,428,357
Equity attributable to equity holders of the Company	**6,185,275**	8,620,508

Revenue

RMB
3.072 billion

△ 108.4%

Current ratio

1.61

△ 0.1

Gearing ratio*

30.1 %

Basically
same as last year

* The gearing ratio: total borrowings including bills payable and loans divided by total assets.

Hefei Airport Project

Gross margin of sales
21.08%

△ 4.35%

Industrial Parks

Comprehensive occupancy rate
96.5%

△ 5.1%

Group Structure

Shenzhen Overseas Chinese Town Company Limited
(0069.SZ)

70.94%

Overseas Chinese Town (Asia) Holdings Limited
(3366.HK)

Investment in the "cultural tourism + technology" industry and its ecosystem

Equity Investment

and

Strategically invested in

4
Listed companies

2
Unlisted companies

Fund Business

RMB

1.5 billion
actively managed funds

60%
Market fundraising

45
Projects invested in by funds*

9
Funds*

Comprehensive Development Business

Presence in the Yangtze River Delta and the Greater Bay Area

Residence, Hotels, Commercial Areas, Apartments, Industrial Parks, Office Buildings

* Include the activity managed funds of the Group and the funds invested by the Group

Chairman's Statement

Dear Shareholders,

On behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2022.

Chairman's Statement

The COVID-19 pandemic was deferred and repeated in 2022, and its negative impact on the global supply and demand industry chain is still grim. Local geopolitical conflicts have also exacerbated the uncertainty and instability of the global political and economic environment. Under the complicated and severe internal and external environment and situation, by adhering to the strategy of "preventing the pandemic, stabilizing the economy and developing safely" and the principle of stable development, the Chinese government effectively coordinated the work of pandemic prevention and control and economic and social development. Positive results have been achieved in pandemic prevention and control, and economic growth has been recovering in a steady manner. In 2022, China's GDP grew by 3.0% year-on-year, ranking among the top among the world's major economies.

During the period under review, adhering to the keynote of "houses should be for living in, not for speculation", the Chinese government promoted the optimization of the real estate market management and control mechanism according to local conditions, so as to support the satisfaction of the needs for rigid and improved housing. However, due to the impact of the COVID-19 pandemic on the demand side of the real estate market, coupled with the peaking and callback of industry demand which intensified the wait-and-see sentiment in the market, the recovery of the real estate market was still facing many challenges, and companies in the industry continued to consolidate and clear their inventories. Affected by this, the profitability of some of the Group's housing-related projects and associates suffered continued pressure with large provisions for impairment and losses having been made, which brought a significant negative impact on the Group's operating performance in 2022. Against the backdrop of continued sluggish industry and market expectations, the Group took lean management as a fulcrum to improve risk management and cost control capabilities and consolidate the Group's ability to resist risks and operate steadily during the industry adjustment period. At the same time, the Group prudently studied and judged the industry environment and development trends, and actively promoted the "relocation and replacement" on the asset side to revitalize the stock assets. The Group optimized the balance sheet structure and increased investment in high-quality projects in the industrial chain, keeping on consolidating the Group's influence and sustainable development capabilities in the field of "cultural tourism + technology" investments. The Group implemented lean management and strictly enforced cost control in a bid to optimize the asset-side structure. The Group continued to improve quality and efficiency on the cost side, asset side and project side, strengthened industry-finance collaboration, strictly implemented the principle of prudent operation and continued to improve risk prevention and value creation capabilities.

Chairman's Statement

Looking forward to 2023, as the world's second largest economy and the world's second largest consumer market, China's economic resilience and high potential have not changed, and neither have the factors supporting its high-quality economic development change. As such, its economic growth has the basis and conditions to gradually return to a medium-to-high growth rate. Under the strategic framework of innovation-driven development, various policies of the Chinese government to support high-tech and new economy have been introduced, and various new sectors characterized by "speciality, refinement, uniqueness and novelty" and many high-quality enterprises will stand out. This has created a good investment environment and development opportunities for industrial capital. In 2023, China's domestic fiscal and monetary policies are expected to keep the focus on "steady growth". Market liquidity is expected to remain ample, and there is still room for downside in financing costs. The Group will continue to pursue quality growth and strengthen risk management and control, and will also enhance industrial empowerment, so as to create a model of industrial capital empowering the high-quality development of the real economy.

Be watchful of the general trends and seek overall interests just like playing chess. In 2023, under the guidance of the innovative development model driven by industrial operation and capital operation, the Group will take more practical measures and greater efforts to implement the business ideas of "revitalizing stock" and "expanding increment" and realize the growth goals of "profitable revenue" and "profit with cash flow". For "revitalizing stock", the focus is to seize the favorable window period of the real estate market recovery and favourable policies and accelerate the sales and profit carry-forward of existing real estate projects. Meanwhile, we will act proactively and flexibly use various methods under the capital market environment to revitalize stock assets and accelerate the return of funds. For "expanding increment", the focus is to follow the national policy orientation, increase efforts to expand the business of characteristic industrial parks, rationally use actively managed funds and various capital market tools and improve the ability and quality of industrial operations and capital empowerment. To seek high-quality development, we must not only insist on promoting the "structural adjustment" of the asset side and accelerate the "relocation and replacement" of projects, but also continue to improve the level of risk management and control to ensure incremental business.

Where there is a will, there is a way. We believe that even if we are under great pressure in the short term, it is far more hopeful to take the initiative to meet challenges and solve problems than to retreat. In 2023, with the real estate coming back to serve as one of pillar industries and the picking-up of demand, the real estate market is expected to recover gradually, and the Group will usher in more development opportunities and higher-quality growth. The Group will continue to give full play to its advantages in cross-border asset management business and focus on its main responsibilities and main business, and it will also forge ahead and seek development by adhering to the principle of "long-termism", and reward shareholders and society with good operating performance.

Overseas Chinese Town (Asia) Holdings Limited
Zhang Dafan
Chairman of the Board

31 March 2023

Management Discussion and Analysis

OPERATING RESULTS AND BUSINESS REVIEW

In 2022, the global economy continued to decline, external demand environment underwent major changes, and major adjustments were made to the management and control policies of the real estate industry and fund business. Facing the impact of the deteriorating external operating environment, the overall pressure on operating conditions of the industry, volatility of the pandemic and low market sentiment, the Group focused on implementing lean management and enhancing value creation in 2022. The Group enhanced its asset management capabilities, prevented and defused major risks, revitalized existing assets and broadened sources of liquidity. The Group overcame the cost pressure of Hong Kong Interbank Offered Rate's continuous rise through debt replacement and debt structure optimization, keeping capital costs at a low level, and continued to strengthen the empowerment of invested companies to promote mutual benefit and win-win results. The Group adhered to "long-termism" in project construction and industrial investments, and insisted on sustainable development.

As of 31 December 2022, the Group's total assets were approximately RMB22.776 billion, and its operating revenue for the year ended 31 December 2022 (the "Current Period" or "Period under Review") was approximately RMB3.072 billion, an increase of approximately 108.4% over the same period in 2021, which was mainly due to the increase in revenue carried forward from comprehensive development projects. The loss attributable to the equity holders of the Company for the Current Period was approximately RMB1.913 billion, as compared to RMB883 million for the same period in 2021. The increase in loss is primarily attributable to, among other things, (i) due to macro-control measures on industry and continued decline in the market environment of the real estate industry, certain of the Group's associates and a joint venture incurred substantial loss in their financial performance resulting from provisions for impairment of inventories, receivables and investments; (ii) based on the prudence principle, provisions were made for impairment loss of inventories in certain of the Group's comprehensive development projects, and for impairment loss of investment in an associate; and (iii) the loss recorded by the hotel and apartment leasing business, which was impacted by the pandemic control measures. Note 14 to the Consolidated Financial Statement sets out further information.

Comprehensive Development Business

In 2022, the real estate industry faced unprecedented challenges due to volatility of the pandemic in many places and the weakening momentum of medium and long-term housing demand. During the Current Period, demand-side policies and the credit environment continued to improve, and the real estate market was still undergoing in-depth adjustments. With the official implementation of the "Three Arrows" policy for real estate at the end of the year, short-term corporate financing channels have been opened, and multiple regulatory agencies have released positive news one after another. However, the residents' income expectations are weak at this stage and the wait-and-see sentiment for house purchases has not yet changed significantly. Therefore, scientific decision-making, precise marketing and destocking will still be the key to the sustainable development of enterprises.

Management Discussion and Analysis

Relying on OCT's brand and resource advantages in cultural tourism and real estate, the Group made its presence in cities in the core metropolitan areas of the Yangtze River Delta + Guangdong-Hong Kong-Macao Greater Bay Area. It holds comprehensive development projects in Hefei, Shanghai, Chongqing, Zhongshan, etc., with land reserves totaling 852,300 square meters and the remaining developable gross floor space of 904,300 square meters.

In 2022, the Hefei Airport International Town project actively explored new marketing models, increased sales efforts in key links and carried out multi-channel marketing through the cloud digital platform. The project achieved satisfactory growth in annual sales, ranking No. 1 in the region in terms of sales. The Group acquired more than 2,000 mu of land in Hefei Airport International Town. At present, a commercial system integrating community, commerce, micro-vacation and industrial office has been formed. Located in the Hefei Science and Technology Innovation Demonstration Zone, the Hefei Airport International Town is a demonstration project for the city-industry integration created by the Group. With the coordinated development with Changxin Memory Technologies, a key enterprise in the integrated circuit industry, and Hefei Xinqiao Electric Vehicle Industrial Park, this project will continue to contribute to the profits of the Group in the future.

In 2022, the Shanghai Suhewan project was impacted by the COVID-19 pandemic, which brought severe challenges to the hotel and apartment leasing business and caused a sharp decrease in the hotel occupancy rate during the Current Period. The Group endeavours to facilitate the daily life of tenants and solve their difficulties when the apartments in Shanghai were under closed-loop management. After the resumption of work and production, the Group formulated a series of measures to boost the leasing performance of apartments in Shanghai, and these efforts and measures have started to deliver results. As of 31 December 2022, the Group had 133 apartments in the Shanghai Suhewan project, with an occupancy rate of approximately 57.1%, and the number of apartments leased out increased by approximately 84.5% year-on-year.

Management Discussion and Analysis

Further information of the Group's comprehensive development projects are as follows:

No.	1	2	3	4	5	6
Project name	Phase I of Hefei Airport International Town Project	Phase II of Hefei Airport International Town Project	Hefei OCT Bantang Hot Spring Town Project	Shanghai Suhewan Project *(Note)*	Chongqing OCT Land Project	Zhongshan Yuhong Project
Location	Hefei Xinqiao Science and Technology Innovation Demonstration Zone	Hefei Xinqiao Science and Technology Innovation Demonstration Zone	Chaohu Economic Development Zone	Jing'an District, Shanghai	Chongqing Liangjiang New Area	Zhongshan Torch Industrial Development Zone
Use of land	Residential + Commercial + Hotel	Residential + Commercial	Residential + Commercial + Hotel	Residential + Commercial + Hotel	Residential	Residential
Shareholding ratio	51%	51%	51%	50.50%	49%	21%
Area of land (ten thousand m², full calibre)	69.5	60.9	41.5	7.1	18	9.1
Gross floor area (ten thousand m², full calibre)	84.8	74.5	34.5	43	44	27.2
Acquisition method	Listing-for-sale bidding	Listing-for-sale bidding	Listing-for-sale bidding	Equity acquisition	Listing-for-sale bidding	Equity acquisition
Progress of project	Being marketed	Being marketed	Being marketed	Being marketed	Being marketed	Being marketed
Total saleable area being launched (ten thousand m², full calibre)	57.1	6.5	4.00	20.7	61.6	20.9
Accumulated sales area (ten thousand m², full calibre)	45.9	1.6	0.33	16.8	41.9	16.1
2022 contracted sales area (ten thousand m², full calibre)	7.2	1.6	0.03	0.1	3.5	4.2
2022 contracted sales amount (RMB100 million)	9.6	2.1	0.05	0.4	3.6	7.2

Note: The Group intends to dispose of 51% equity interests in Shanghai Shouchi Enterprise Management Ltd.. The proposed disposal has been approved by the Company's shareholders. See also "Important Events" below.

Management Discussion and Analysis

Industrial Park Projects

The Group has three industrial park projects in Huizhou, Guangdong and Suzhou, Jiangsu. As of 31 December 2022, the leasable area of the industrial parks was 160,600 square metres.

In 2022, the industrial parks provided full-process consulting and services for enterprises from entering the park to daily management, initially building a smart park service system. The operation of the industrial parks was stable and well-run, with a comprehensive occupancy rate of approximately 96.5%. The revenue in the Current Period derived therefrom was approximately RMB28.49 million, an increase of approximately 5.43% over the same period in 2021, making continuous revenue contributions to the Group.

During the Current Period, the Group recorded revenue of approximately RMB3.06 billion from the comprehensive development business, a year-on-year increase of approximately 111.0%. The segment loss attributable to equity holders of the Company was approximately RMB24 million, a year-on-year decrease of approximately 118.8%, primarily due to some projects suffering large losses due to the impact of the pandemic control measures and the provision for inventory impairment of some projects made by the Company due to the market downturn.

Equity Investment and Fund Business

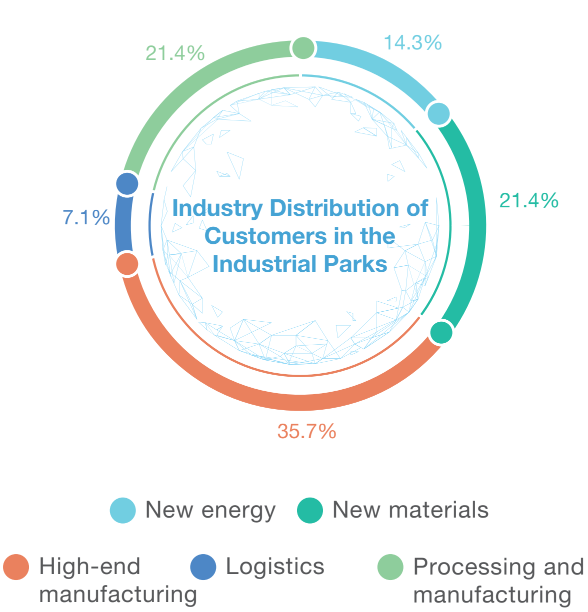
In 2022, the equity investment market in China developed steadily as a whole. According to the 2022 China Equity Investment Market Research Report released by the Zero2IPO Research Center, the total amount of funds raised throughout the year remained stable, but the average fund-raising scale of a single fund continued to decline, and the bi-polarization trend remained significant. Institutional fundraising is confronted with escalating additional conditions and qualification requirements, making it difficult for most small and medium-sized institutions without state-owned assets or industrial backgrounds to raise large-amount project funds and special funds.

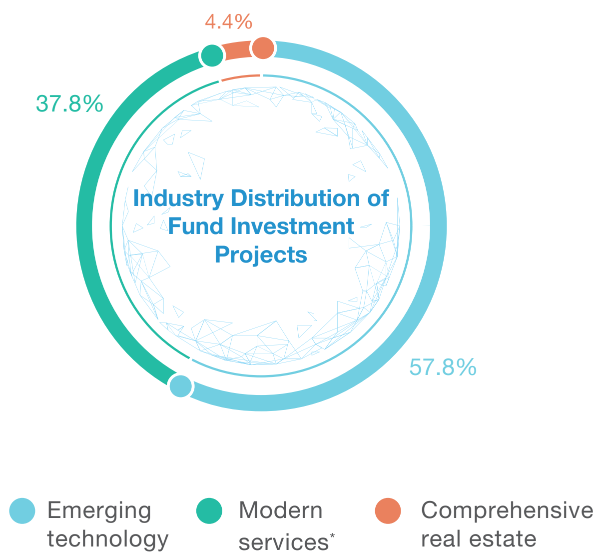
Being the only overseas listed company under OCT Group, a large state-owned central enterprise, the Group has its equity investment and fund business rooted in advantageous areas, such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Circle. With its investment focused on the “cultural tourism + technology” industrial ecosystem, the Group fully utilised the advantages of industrial capital investment and mergers and acquisitions, enhanced investment management capabilities, and improved the post-investment empowerment effect to promote the rapid development of the invested companies, thereby achieving an all-win situation.

Management Discussion and Analysis

The total size of funds managed and invested by the Group amounted to RMB4.37 billion by the end of 2022, and the size of actively managed funds was RMB1.5 billion. During the Current Period, two funds under the Group completed the filing with the Asset Management Association of China. In terms of fund investments, the funds actively managed by the Group, which focuses on the upstream and downstream of the OCT industrial chain, successfully invested in companies such as Kandao Technology (看到科技) (a company admitted into the national list of "little giant" firms recognized as specialized and sophisticated enterprises that produce new and unique products). In terms of fund management, the Group has actively stepped up the business synergy between the invested companies and the parent company to achieve capital empowerment, and coordinated as well as expanded the cooperation between the invested companies and multiple companies under the parent company to achieve a win-win situation.

The related VR and live broadcast technology of Kandao Technology has been applied in Happy Valley Theme Park under the parent company, and the cooperation between Mini World IP and Happy Valley Theme Park under the parent company in the creation of themed attractions and themed performances in scenic spots has been implemented in Shenzhen Happy Valley. Some projects invested by the Group's funds have achieved a satisfactory increase in valuation. In terms of fund exit, the funds managed and participated in by the Group have recorded a total cash withdrawal of more than RMB20 million. One of the companies invested by the funds that the Group participated in has completed the IPO meeting of the STAR Market, while the application made by one company for listing on the STAR Market has been accepted, and two have signed a listing guidance agreement, opening up the main channel for future exit.

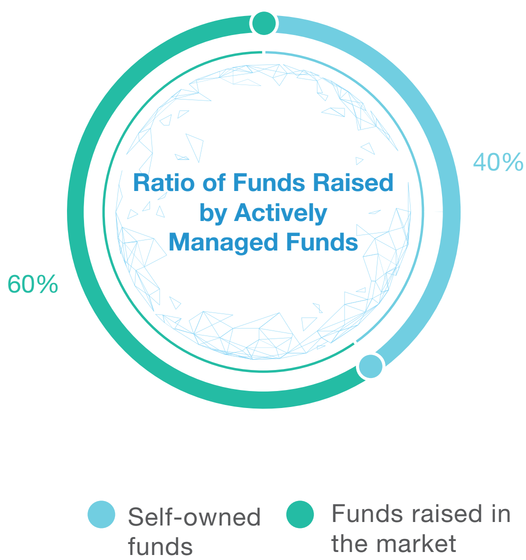




* Modern services industries include new consumption, cultural media, cultural tourism and sports

Management Discussion and Analysis

In 2022, the Group expanded its market influence and won multiple awards in the capital market industry including "2021–2022 China's Most Growth Investment Institutions in the New Generation Information Technology Field (2021–2022年度中國新一代信息技術領域最具成長性投資機構)", "2022 Top 100 Venture Capital Institutions in China (2022年度中國創業投資機構TOP100)" and "Best State-owned Investment Institutions in China in 2022 (2022年度中國最佳國資投資機構)" of Chinese Venture, and the Golden Investment Prize of China Venture Capital Research Institute – "2022 Top 50 Chinese State-Owned Influential Investment Institutions (2022年度中國國資影響力投資機構TOP50)", "2022 Top 30 Best Investment Institutions in China's Intelligent Manufacturing Field (2022年度中國最佳智能製造領域投資機構TOP30)" and "2022 China's Top 50 Influential VC Investment Institutions (2022年度中國影響力VC投資機構TOP50)".



During the Current Period, the segment loss attributable to the equity holders of the Company was approximately RMB1.806 billion, representing an increase of approximately 82.2% in loss compared to the same period last year. The increase in loss is primarily attributable to the substantial loss incurred by certain of the Group's associates and joint ventures in the financial performance as a result of provisions for impairment of inventories, receivables due to macro-control measures on industry and continued decline in the market environment of the real estate industry. Based on the prudence principle, provisions were made by the Group for the impairment losses on investment in an associate.

Finance Lease Business

In order to better concentrate resources and promote strategic transformation, the Group no longer expands new financial leasing business. During the Current Period, the revenue of the finance lease business was approximately RMB2.13 million, and the segment profit attributable to equity holders of the Company was approximately RMB3.70 million, a decrease of approximately 57.4% over the same period in 2021, which was mainly due to the decrease in revenue of the finance lease business which was in the final stage of exit.

Management Discussion and Analysis

Major Awards in 2022

Chinese Venture

The Best State-owned Investment Institutions in China in 2022

Chinese Venture

2022 Top 100 Venture Capital Institutions in China

Chinese Venture

2021–2022 China's Most Growth Investment Institutions in the New Generation Information Technology Field

The Golden Investment Prize of China Venture Capital Research Institute

2022 China's Top 50 Influential VC Investment Institutions

The Golden Investment Prize of China Venture Capital Research Institute

2022 Top 50 Chinese State-Owned Influential Investment Institutions

The Golden Investment Prize of China Venture Capital Research Institute

2022 Top 30 Best Investment Institutions in China's Intelligent Manufacturing Field

Management Discussion and Analysis

FINANCIAL REVIEW

As of 31 December 2022, the Group's total assets amounted to approximately RMB22.776 billion, representing a decrease of approximately 13.5% as compared to approximately RMB26.343 billion as of 31 December 2021; and the Group's total equity amounted to approximately RMB9.881 billion, representing a decrease of approximately 20.3% over RMB12.399 billion as at 31 December 2021.

For the Current Period, the Group realized revenue of approximately RMB3.072 billion, representing an increase of approximately 108.4% as compared to approximately RMB1.474 billion for the same period of 2021, of which, the revenue of the comprehensive development business was approximately RMB3.06 billion, representing an increase of approximately 111.0% compared to approximately RMB1.45 billion for the same period of 2021, primarily due to the increase in revenue carried forward from the Hefei Airport International Town Project; and revenue of the finance lease business amounted to approximately RMB2.13 million, representing a decrease of approximately 86.5% compared to approximately RMB15.81 million for the same period of 2021, primarily due to the business being in the final stage of exit in the Current Period.

For the Current Period, Group's gross profit margin was approximately 10.5% (2021: approximately 20.6%), representing a decrease of 10.1 percentage points compared to the same period of 2021, of which, the gross profit margin of the comprehensive development business was approximately 10.5%, representing a decrease of 9.2 percentage points compared to the same period of 2021, mainly due to the losses incurred by the hotel and apartment leasing business under the impact of the pandemic control measures in Shanghai and the provisions for inventory impairment made by some real estate projects due to market downturn. Although the performance of the real estate business and commercial leasing business during the Current Period was better than that of the same period of 2021, the overall gross margin remained lower than the same period of 2021; and the gross profit margin of the finance lease business was approximately 97.4%, representing an increase of 23.4 percentage points compared to the same period of 2021, mainly because the financial lease business was in the final stage of exit and the funds had been basically recovered, resulting in a significant drop of interest costs.

For the Current Period, loss attributable to equity holders of the Company was approximately RMB1.913 billion as compared to the loss of approximately RMB883 million for the same period of 2021.

Among these, loss attributable to the comprehensive development business was approximately RMB24 million, compared with a profit of approximately RMB128 million in the same period of 2021, mainly attributable to the facts that the hotel and apartment leasing business suffered losses due to the pandemic control measures throughout 2022 and some real estate projects made provision for impairment losses on inventory.

Loss attributable to the equity investment and fund business was approximately RMB1.806 billion (2021: loss of approximately RMB991 million), representing an increase of approximately 82.2% compared to the same period of 2021, mainly attributable to the facts that some of the Group's associates and joint ventures incurred substantial losses due to the provision for impairment losses on inventories, accounts receivable and investment resulting from the macro-control measures on industry and the continued decline of the market environment of the real estate industry, and the Group made provision for impairment loss on the investment in an associate under the principle of prudence.

Profit attributable to the finance lease business was approximately RMB3.70 million (2021: approximately RMB8.69 million), representing a decrease of approximately 57.4% compared to the same period of 2021, mainly attributable to a decrease in the revenue of the finance lease business.

Management Discussion and Analysis

The provisions for investment impairment in the equity investment and fund business of the Group for the Current Period based on the principle of prudence and the provision for inventory impairment in the comprehensive development business will not have a significant impact on the Group's current overall business operations and cash flow, and the revenue of the comprehensive development business segment increased significantly in 2022. The financing costs of the Group have been maintained at a low level for a long time, and the overall financial position is relatively stable.

For the Current Period, the basic loss per share attributable to equity holders of the Company was approximately RMB2.88 (2021: basic loss per share of approximately RMB1.49), representing an increase of approximately RMB1.39 compared to the same period of 2021. The losses for the year were approximately RMB1.996 billion (2021: losses of approximately RMB899 million), representing an increase of approximately RMB1.097 billion compared to the same period of 2021, mainly due to the facts that the hotel business suffered losses due to the impact of the pandemic control measures, some real estate projects made provision for inventory impairment losses due to the impact of the deteriorating real estate market and some associates of the Group incurred losses, and the Group made provision for impairment loss on investment in an associate due to the macro-control measures on the real estate industry and the continued decline of the market environment of the real estate industry.

Distribution Costs and Administrative Expenses

The Group's distribution costs for the Current Period were approximately RMB80 million (2021: approximately RMB89 million), representing a decrease of approximately 10.1% compared to the same period of 2021.

The Group's administrative expenses for the Current Period were approximately RMB285 million (2021: approximately RMB273 million), representing an increase of approximately 4.4% as compared to the same period of 2021, of which, administrative expenses of the comprehensive development business were approximately RMB213 million (2021: approximately RMB189 million), representing an increase of approximately 12.7% as compared to the same period of 2021, which was mainly due to the increase in property management fees of some projects; administrative expenses of the finance lease business were approximately RMB4.13 million (2021: approximately RMB0.71 million), representing an increase of approximately 481.7% as compared to the same period of 2021, which was mainly due to the sharing of administrative expenses at the headquarters; and administrative expenses of the equity investment and fund business were approximately RMB19.51 million (2021: approximately RMB18.27 million), representing an increase of approximately 6.8% as compared to the same period of 2021, which was mainly due to the increase in brokerage fees.

Interest Expenses

The Group's interest expenses for the Current Period were approximately RMB140 million (2021: approximately RMB149 million), representing a decrease of approximately 6.0% as compared to the same period of 2021, of which, interest expenses of the comprehensive development business were approximately RMB115 million (2021: approximately RMB116 million), representing a decrease of approximately 0.9% as compared to the same period of 2021, mainly due to the decrease in the weighted average amount of loans; interest expenses of the finance lease business were approximately RMB1.82 million (2021: approximately RMB3.99 million), representing a decrease of approximately 54.4% as compared to the same period of 2021; and interest expenses of the equity investment and fund business were approximately RMB21.32 million (2021: approximately RMB22.52 million), representing a decrease of approximately 5.3% as compared to the same period of 2021, mainly due to the decrease in the weighted average amount of loans.

Management Discussion and Analysis

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil) after considering the Company's long-term development and active participation in potential investment opportunities.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2022 was approximately RMB9.881 billion (31 December 2021: approximately RMB12.399 billion); current assets were approximately RMB16.728 billion (31 December 2021: approximately RMB16.454 billion); and current liabilities were approximately RMB10.378 billion (31 December 2021: approximately RMB10.914 billion). The current ratio was approximately 1.61 as at 31 December 2022, representing an increase of approximately 0.1 as compared to that as at 31 December 2021 (31 December 2021: approximately 1.51), mainly due to the decrease in the weighted average balance of short-term bank borrowings in 2022. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2022, the Group had outstanding bank and other loans of approximately RMB4.733 billion, without fixed rate loans in RMB (31 December 2021: outstanding bank and other loans of approximately RMB5.747 billion, with fixed rate loans in RMB of approximately RMB1.935 billion). As at 31 December 2022, the interest rates of bank and other loans of the Group ranged from 3.30% to 5.95% per annum (31 December 2021: ranged from 1.31% to 4.75% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 30.1% as at 31 December 2022, representing a decrease of approximately 0.6 percentage points as compared with that of approximately 30.7% as at 31 December 2021, which was mainly due to the decrease in bank and other loans.

As at 31 December 2022, approximately 47.3% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB2.238 billion was denominated in Hong Kong Dollars (31 December 2021: approximately 37.9%); and approximately 52.7% amounting to approximately RMB2.495 billion was denominated in Renminbi (31 December 2021: approximately 62.1%). As at 31 December 2022, approximately 0.1% of the total amount of cash and cash equivalents of the Group was denominated in United States dollars (31 December 2021: approximately 0.1%); approximately 97.5% was denominated in Renminbi (31 December 2021: approximately 90.7%); and approximately 2.4% was denominated in Hong Kong dollars (31 December 2021: approximately 9.2%).

The Group's liquidity position remains relatively stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the Current Period, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. The Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risk purposes for the Current Period.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly instalment before the issuance of the individual property ownership certificate, the banks could draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance if the deposit balance is insufficient.

Management Discussion and Analysis

The amount of guarantee deposits required varies among different banks, but is usually within a range of 0% to 5% of the mortgage loans granted to buyers, with a prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees over the term of the guarantee as the bank has the right to sell the properties and recover the outstanding loan balance from the sale proceeds if the property buyers default on payment. The management also considers that the market value of the underlying properties can cover the outstanding mortgage loans guaranteed by the Group. Therefore, no liabilities are recognised in respect of these guarantees.

As at 31 December 2022, guarantees given by financial institutions for mortgage facilities granted to buyers of the Group's properties amounted to approximately RMB936 million in total (31 December 2021: approximately RMB498 million).

EMPLOYEES

As at 31 December 2022, the Group employed 556 full-time staff in total. The basic remunerations of the employees of the Group are mainly determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities are offered to all staff members. Staff salaries are maintained at a competitive level and are reviewed periodically (and not less frequent than annually), with reference to the relevant labour market and the economic situation. The Company currently does not maintain any share scheme under Chapter 17 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Apart from the basic remuneration and statutory benefits, the Group also provides bonuses to the staff based upon the Group's results and their individual performance. More information on the remuneration of directors and senior management and relevant policy is set out in the Corporate Governance Report.

The Group provides comprehensive training to its employees covering areas such as operation and business-oriented training, legal and risk management, integrity education.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff during the Current Period. The Group maintains a good relationship with its employees in general. Most members of the senior management have been working for the Group for many years. More information is also available in the Company's ESG Report.

IMPORTANT EVENTS

Proposed Disposal of Partial Interests in Shouchi Enterprise

Overseas Chinese Town (Shanghai) Land Company Limited (an indirect non-wholly-owned subsidiary of the Company) ("OCT Shanghai Land") intends to dispose of 51% equity interests in Shanghai Shouchi Enterprise Management Ltd. ("Shouchi Enterprise") through public tender to be conducted on the China Beijing Equity Exchange at a tender base price not lower than approximately RMB585 million, and to enter into a joint venture arrangement with the final purchaser. On 6 April 2023, OCT Shanghai Land and Shanghai Shengfenlai Enterprise Consultation Partnership (Limited Partnership) (the final purchaser identified through public tender) entered into the transaction agreement for the disposal at the final consideration of RMB612,000,000. The disposal is expected to be completed in or around the second quarter of 2023. For further details, please refer to the circular of the Company dated 25 October 2022 and the announcement dated 3 April 2023.

Management Discussion and Analysis

Entering into the Ancillary Agreement for Cayman Fund

On 30 December 2022, the Company, City Legend International Limited, HNW Investment Fund Series SPC, Century Ginwa Retail Holdings Limited, Kinetic Creation Global Investments Limited, CCB International Asset Management Limited and Xi'an OCT Land Co., Ltd. and City Turbo Limited entered into an ancillary agreement for the Cayman Fund (relating to the Group's subscription of a Cayman Fund in December 2020) under which, subject to all parties to the ancillary agreement obtaining all requisite approvals, the Company will (or will procure its designated third party to) provide the financial support. For further details, please refer to the announcement of the Company dated 30 December 2022.

Investment in B.Duck Semk in 2021

The Group invested in B.Duck Semk Holdings International Limited ("B.Duck Semk") in 2021. B.Duck Semk completed its listing on the Stock Exchange in January 2022, and fulfilled its performance targets for 2022. For further details, please refer to the announcement of the Company dated 7 July 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group had no significant investments held, nor material acquisitions and disposal of subsidiaries, associates or joint ventures during the Current Period; and there are no plan for material investments or capital assets which have been approved by the Board as of the date of this annual report.

OUTLOOK FOR 2023

In 2023, the Group will seize the opportunities brought by the overall improvement of the macroeconomy and the gradual stabilization of the real estate market, adhere to lean management and focus on strengthening and optimizing the main business. The Group will revitalize the existing assets and adjust the structure, enhance the ability of asset management and capital operation, and strengthen risk prevention and control and improve operating efficiency under the principle of prudent operation. The Group will also actively explore the organic combination of asset management and capital operation advantages, and empower the main business through investments, so as to contribute new strength to its high-quality development.

In 2023, in terms of the comprehensive development business, the Group will seize the policy window period and accelerate the sales of inventory. It is expected that approximately 255,300 square meters of residential properties will be for sale throughout the year. The Group will continue to focus on projects in core cities of the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and will select the best from the best, so as to achieve steady, high-quality and sustainable development.

The Group will continue to expand the management and operation of characteristic industrial parks, aiming to continuously consolidate and improve service quality. The Group will also push ahead to promote the construction and pre-sale of the Huizhou OCT Entrepreneurship and Innovation Industrial Park project. The project is expected to be completed in 2024, providing an estimated additional lease area of approximately 93,000 square meters, and will actively explore the asset-light operation mode of the industrial parks.

In 2023, in the equity investment and fund business, the Group is fully supported by OCT's industrial resource advantage. With a diversified fund product matrix preliminarily formed, the Group will link emerging technologies and professionals in the industry and create an innovative ecosystem of funds with "mutual interaction and cross-industry integration" of multiple parties such as investors, FOFs, sub-funds and innovation and entrepreneurship projects and build a reserve of high-quality investment targets. The Group will also strengthen its post-investment empowerment to actively mobilize industrial resources and financial resources in promoting the development and growth of invested companies, and exit at the right time, constantly iterating the closed-loop management ability of "fundraising, investment, management and exit".

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Dafan (張大帆), aged 56, is currently the vice president of Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.") which wholly owns Overseas Chinese Town (HK) Company Limited ("OCT (HK)") and is listed on the Shenzhen Stock Exchange and the chairman of Shenzhen OCT Culture Group Co., Ltd. (a wholly-owned subsidiary of OCT Group). Since joining OCT Group Limited ("OCT Group") in 1991, Mr. Zhang has served as (including but not limited to): (i) deputy general manager of the import and export division of OCT Group; and (ii) the chairman of OCT (HK) (which wholly owns Pacific Climax Limited, the controlling shareholder of the Company). Mr. Zhang graduated from Nanjing Aeronautical Institute with a bachelor's degree in engineering in 1988, majoring in industrial management engineering, and graduated from Renmin University of China with a master's degree in economics in 1999, majoring in industrial economics. Mr. Zhang is the chairman of the Company's Environmental, Social and Governance (ESG) Committee and the Nomination Committee.

Mr. Wang Jianwen (王建文), aged 45, is a director and the general manager of Shenzhen OCT Capital Investment Management Co., Ltd. and a director and the general manager of OCT (HK). Mr. Wang joined the OCT group in 2002. He was previously a senior manager of the finance department of OCT Ltd., a director of the finance department of the Company, the finance director of Chengdu Tianfu OCT Industry Development Co., Ltd., a deputy general manager of the western region business division of OCT Ltd., a deputy general manager of Shenzhen OCT Capital Investment Management Co., Ltd., and a deputy general manager of OCT (HK). Mr. Wang graduated from the Jiangxi University of Finance and Economics in 1999, with a bachelor's degree in economics, specialising in audit. He was conferred a master of business administration degree by the Northwestern Polytechnical University in 2006. He was conferred the qualification of an accountant in China. Mr. Wang is a member of the Company's ESG Committee.

Mr. Lin Kaihua (林開樺), aged 56, held directorships in various subsidiaries of the Company and is the chairman of Beijing Guangying Real Estate Development Co., Ltd, an associate of the Company. Since joining OCT Group in 1992, Mr. Lin has held a number of positions including the deputy general manager and the financial officer of OCT Shanghai Land (a non-wholly owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (a wholly-owned subsidiary of OCT Ltd.), financial officer of OCT Ltd. and Shenzhen Bay Hotel (now known as InterContinental Shenzhen). Mr. Lin graduated from Xiamen University with a major in accounting in 1992 and obtained a master' degree in economics, and has obtained certified public accountant and senior accountant titles. Mr. Lin is a member of the Company's ESG Committee.

Directors and Senior Management

Non-Executive Director

Mr. Wang Wenjin (汪文進), aged 55, is currently the general manager of Shenzhen Overseas Chinese Town Property Business Development Co., Ltd. Mr. Wang has extensive experience in investment, corporate management and law. Since joining OCT Group in 2006, Mr. Wang worked as the deputy general manager of Shenzhen OCT Real Estate Company Limited, the chairman of the board and general manager of Shenzhen OCT Urban Renewal Investment Company Limited, the deputy general manager of OCT Huanan Investment Company Limited, general manager of Strategic Planning Department of OCT Group and director of Investment Management Department of OCT Ltd. Prior to joining OCT Group, Mr. Wang served as a practicing lawyer. Mr. Wang graduated from Hunan Normal University in 1989, majoring in physics, and graduated from Tsinghua University in 2005 with a Master of Business Administration. Mr. Wang is a member of the Company's Audit Committee and Remuneration Committee.

Independent Non-Executive Directors

Ms. Wong Wai Ling (黃慧玲), aged 61, joined the Group in 2007. Ms. Wong holds a Bachelor of Arts degree from the University of Hong Kong and a Postgraduate Diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, United Kingdom. Ms. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, with over 20 years of extensive experience in accounting, taxation, auditing and business. She worked in an international accounting firm and a local accounting firm for more than seven years until she began to be in private practice as a Certified Public Accountant in 1993. In addition to the Company, she is also an independent non-executive director and chairwoman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 3608. HK). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (a company listed on the Main Board of the Stock Exchange, stock code: 6893. HK). Ms. Wong previously served as an independent non-executive director and chairwoman of the audit committee of AVIC International Holdings Limited (a company previously listed on the Main Board of the Stock Exchange and delisted voluntarily on 17 April 2020). She previously served as an independent non-executive director and chairwoman of the audit committee of China Ruifeng Renewable Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0527. HK), an independent non-executive director of Glory Flame Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8059. HK) and an executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8326. HK). Ms. Wong is the chairwoman of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee.

Directors and Senior Management

Professor Lam Sing Kwong Simon (林誠光), aged 64, joined the Group in 2009. He is currently serving as a professor in management and business strategy at the Faculty of Business and Economics of the University of Hong Kong, the Ian Davies Professorship in Ethics, as well as the director of the Research Centre of Asian Entrepreneurship and Business Values of the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management, and has published a number of academic papers and case analyses on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam has been serving as an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange: Qingci Games Inc. (stock code: 6633. HK). Kwan On Holdings Limited (stock code: 1559. HK), Sinomax Group Limited (stock code: 1418. HK) and Jacobson Pharma Corporation Limited (stock code: 2633. HK). Professor Lam is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Chu Wing Yiu (朱永耀), aged 65, joined the Group in 2019. Mr. Chu is a life insurance administrator of the Life Office Management Association. Mr. Chu is currently an independent non-executive director and chairman of the risk committee of Zurich Life Insurance (Hong Kong) Limited, and an independent non-executive director and chairman of the risk committee of SCOR Reinsurance Co. (Asia) Limited. Mr. Chu entered the insurance industry in Hong Kong in 1981, and is equipped with rich management experience. In the past, he acted as a director, chief executive officer of BOCI – Prudential Trustee Limited and a director of BOC Group Trustee Company Limited, director and head of employee benefits of HSBC Insurance (Asia) Limited, and a director of BOC Insurance Company Limited. In the insurance industry, Mr. Chu is also currently the vice chairman of the Insurance Industry Training Advisory Committee, a Trustee of the Hospital Authority Provident Fund Scheme and a non-official member of the Industry Advisory Committee of the Insurance Authority on Long Term Business of Hong Kong. He is a member of the Company's ESG Committee.

SENIOR MANAGEMENT

Mr. Wang Jianwen is an executive Director and the Chief Executive Officer of the Company. His biography is set out above.

Mr. Zhang Xiaojun, aged 53, is a deputy general manager of the Company and also holds various positions including director, supervisor or general manager in various subsidiaries of the Company. Mr. Zhang joined OCT Group in 1993. He served as the general manager of Shenzhen OCT Gangya Holdings Development Co., Ltd. (formerly known as Shenzhen Huali Packing & Trading Co., Ltd.) ("OCT Gangya") and has been the deputy general manager of the Company since 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology (now known as the Hunan University of Technology) and obtained his bachelor's degree in engineering.

Directors and Senior Management

Ms. Qi Jianrong, aged 51, is a deputy general manager, an accountant and an economist of the Company. Ms. Qi also holds directorships or supervisor positions in various subsidiaries of the Company. Ms. Qi joined OCT Group in 1994, and had served as manager of financial securities department and finance department, accounting manager of the finance department and the financial assistant of Shenzhen Bay Hotel, manager of financial and business support department and chief accountant of the Venice Raytour Hotel Shenzhen and the supervisor of the finance department of OCT (HK). Ms. Qi also served as the vice financial officer of Shenzhen Seaview Austin Hotel and financial officer of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance of Jinan University in 1994, where she obtained her bachelor's degree in economics.

Ms. Cheng Mei, aged 50, is a deputy general manager of the Company. She also holds directorships or supervisor positions in various subsidiaries of the Company. Ms. Cheng joined the Company in 2005, and had served as a vice supervisor and a supervisor of the Office of the Secretary to the Board of the Company. Prior to joining the Group, Ms. Cheng had successively worked for a tourism group and OCT (HK). Ms. Cheng graduated from Beijing International Studies University and obtained her bachelor's degree in Arts in 1995.

COMPANY SECRETARY

Mr. Fong Fuk Wai, aged 59, is the company secretary and qualified accountant of the Company. He concurrently serves as a supervisor of various subsidiaries of the Company. Mr. Fong joined the Group in 2005. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained a bachelor's degree in Accountancy in 1994, and subsequently obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Certain Chinese names of entities, natural persons or other words have been translated into English and included in this annual report as unofficial translations for illustration purpose only. In the event of any inconsistency, the Chinese version of these names and words shall prevail.

Corporate Governance Report

CORPORATE AND GOVERNANCE CULTURE

The Company believes that good corporate governance and a highly efficient management team are essential to enhancing investors' confidence and safeguarding the interests of the shareholders, and can also increase long-term share value. The Company is committed to implementing and maintaining corporate governance, focusing on good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency and accountability in management, upholding high ethical standards and maintaining sustainable development. The Company recognizes and supports the principles under the Corporate Governance Code (the "Code", Appendix 14 to the Listing Rules), and considers these principles as the cornerstone of the Group's corporate governance practice, generally applying them with modifications and recognizing the Group's individuality. Appropriate policies and procedures are also put in place to promote and reinforce the above culture, and to allow staff and stakeholders to be heard for concerns over any suspected impropriety. The Board is satisfied that the Group's strategic directions and business model are aligned with its culture.

During the year ended 31 December 2022, the Company has complied with the applicable code provisions set out in Part 2 of the Code.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

The Board is responsible for the leadership and governance of the Company and ultimately assumes responsibility for the Company's business, financial performance and preparation of financial statements. The Board formulates strategies, policies and business plans of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in the interests of the shareholders and the Company as a whole, and delegates powers and responsibilities to the management led by the Chief Executive Officer of the Company to carry out the daily management and operation of the Group. The Board reserves for its decisions all major matters relating to strategies, overall objectives and policies, financial results and budgets, material transactions, appointment of directors, share capital and other significant operational matters of the Company. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the directors to perform their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision A.2 of Part 2 of the Code. The Board is responsible for, and has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) the training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with laws and regulations, (d) the Company's code of conduct and compliance manual applicable to employees and Directors and (e) the Company's compliance with the Code and the disclosure in this Corporate Governance Report.

Corporate Governance Report

Composition of the Board

The Board currently comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors is more than one-third of the members of the Board. Independent non-executive Directors are experienced professionals with profound expertise and experience in various fields including accounting, financial, economic and risk management aspects. The Board considers that all the independent non-executive Directors are independent in their judgment. They ensure that the Board has attained strict standards in financial and other statutory reporting areas and they provide sufficient checks and balances to safeguard the interests of the shareholders and the Company as a whole.

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. Zhang Dafan *(Chairman)*
Mr. Wang Jianwen *(Chief Executive Officer)*
Mr. Lin Kaihua

Each of Mr. Zhang Dafan and Mr. Lin Kaihua was re-elected as an executive Director at the Company's annual general meeting held on 21 May 2021, and has entered into a service contract with the Company for a term commencing from 21 May 2021 until the conclusion of the 2023 annual general meeting of the Company to be held in 2024.

Mr. Wang Jianwen was appointed as an executive Director by the Board with effect from 23 March 2023, in place of Ms. Xie Mei who resigned due to retirement with effect on the same date. Mr. Wang Jianwen will retire at the conclusion of the forthcoming AGM, and being eligible, he has offered himself for re-election.

Non-Executive Director

Mr. Wang Wenjin

Mr. Wang Wenjin was appointed as a non-executive Director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the forthcoming AGM. Mr Wang Wenjin, being eligible, has offered himself for re-election.

Corporate Governance Report

Independent Non-Executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive Directors at the annual general meeting of the Company held on 21 May 2021 and have entered into service contracts with the Company for a term of three years commencing from 21 May 2021 until the conclusion of the 2023 annual general meeting of the Company to be held in 2024. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon has served as independent non-executive Directors for more than nine years, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their long tenure with the Company.

Mr. Chu Wing Yiu has been re-elected as an independent non-executive Director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the forthcoming AGM. Mr Chu, being eligible, has offered himself for re-election.

The biographies of each Director are set out on pages 22 to 24 of this report.

The Company has complied with Rules 3.10(1) and 3.10(A) of the Listing Rules. During the Period under Review, there were three independent non-executive Directors in the Board, accounting for at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent or professional persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee evaluates the independence of all independent non-executive Directors each year and makes sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. The Chairman, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other that is not disclosed in this annual report.

Corporate Governance Report

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are settled as two independent positions assumed by different persons in order to ensure that their independence, accountability and power are clear. The Chairman is responsible for the operation of the Board and the formulation of the Company's strategies and policies. The Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Appointment and Re-election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors. When selecting candidates for appointment as Directors, factors including (without limitation) the candidates' integrity, achievements, experience, expertise and educational background in the relevant industry and whether they have sufficient time to assume the duties and responsibilities as a Director will be considered.

Pursuant to the memorandum and articles of association of the Company (the "Articles"), every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Board Meetings and Procedures

The Board convened 14 meetings during the Period under Review.

The Board has established meeting procedures and has complied with the provisions of the code provisions under Part 2 of the Code. The Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comments or record. Directors are entitled to inspect the minutes at any time.

Corporate Governance Report

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the meetings of the Board committees and general meetings of the Company during the Period under Review are as follows:

	Number of meetings attended/Number of meetings					
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**ESG Committee**	**General meetings** *(Note 1)*
Zhang Dafan	14/14	N/A	N/A	1/1	1/1	1/3
Xie Mei *(Note 2)*	14/14	N/A	N/A	N/A	1/1	3/3
Lin Kaihua	14/14	N/A	N/A	N/A	1/1	3/3
Wang Wenjin	14/14	4/4	1/1	N/A	N/A	3/3
Wong Wai Ling	14/14	4/4	1/1	1/1	N/A	2/3
Lam Sing Kwong Simon	14/14	4/4	1/1	1/1	N/A	3/3
Chu Wing Yiu	14/14	N/A	N/A	N/A	1/1	2/3

Notes:

1. Code provision C.1.6 of Part 2 of the Code provides that generally, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Certain Directors were unable to attend all general meetings of the Company held in 2022 due to other unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

2. After the Period under Review, Ms. Xie Mei resigned, and Mr. Wang Jianwen has been appointed in her place.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Directors' training is an ongoing process. During the Period under Review, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices. New Directors are provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

During the year ended 31 December 2022, the Company also organised director responsibilities training conducted by Hong Kong permanent legal advisers for directors. The content included, but was not limited to, the Guidelines on Directors' Responsibilities and interpretation on the terms concerning directors' responsibilities in the Listing Rules of the Stock Exchange.

Corporate Governance Report

The Directors have provided their training record to the Company; and a summary of the training received by them during the Period under Review is as follows:

Name of Directors	Reading Listing Rules and receiving trainings on implementation and enforcement of securities laws and regulations and directors' duties	Watching training videos
Executive Directors		
Zhang Dafan	✔	✔
Xie Mei	✔	✔
Lin Kaihua	✔	✔
Non-Executive Director	✔	✔
Wang Wenjin		
Independent Non-Executive Directors		
Wong Wai Ling	✔	✔
Lam Sing Kwong Simon	✔	✔
Chu Wing Yiu	✔	✔

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the following committees:

Audit Committee

As of 31 December 2022, the Audit Committee consisted of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Audit Committee.

Corporate Governance Report

The principal roles and functions of the Audit Committee include:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant financial reporting judgment;

(e) discussing with auditors on any question or doubt arising from the audit process, as well as other issues the external auditors wish to discuss; and

(f) reviewing external auditor's management letter, and ensuring timely responses from the Board.

The Audit Committee held four meetings during the Period under Review, and performed the major works as below:

1. reviewed the annual unaudited and audited financial results and report for the year ended 31 December 2021 and the interim financial results and report for the six months ended 30 June 2022;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company, reviewed the effectiveness of the Company's internal audit function;

3. provided opinions to the Board in respect of the appointment of external auditors; and

4. other duties as stipulated under the Listing Rules (including the Code) and terms of reference.

The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2022, the Remuneration Committee consisted of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include:

(a) consulting the chairman of the Board and/or chief executive on remuneration proposals for other executive Directors and senior management;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management, as well as establishing a formal and transparent procedure for developing remuneration policy of the Company;

(c) with authority delegated by the Board, determining remuneration packages for all executive Directors and senior management; making recommendations to the Board on remuneration for non-executive Directors;

(d) reviewing and approving compensations payable to executive Directors and senior management, for loss or termination of their office or appointment to ensure that it is consistent with contractual terms or is otherwise fair and reasonable; and

(e) reviewing and/or approving matters relating to share schemes as set out in Chapter 17 of the Listing Rules.

The Remuneration Committee held one meeting during the Period under Review, and performed the major works as below:

1. determine/make recommendation to the remuneration package of Director and senior management;

2. reviewed and assessed executive Directors and senior management's performance and service contracts, reviewed and discussed the Company's remuneration policy and structure, and valuation and performance assessment system;

3. listened to the report on the optimization direction of the remuneration and assessment system; and

4. other duties as stipulated under the Listing Rules (including the Code) and terms of reference.

Corporate Governance Report

Nomination Committee

As of 31 December 2022, the Nomination Committee consisted of three members, including one executive Director, namely Mr. Zhang Dafan, and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon. Mr. Zhang Dafan is the chairman of the Nomination Committee.

The Board has a diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Company embraces the benefits of having a diverse Board to enhances the overall effectiveness of the Board and thereby the shareholders' value. Currently, the Board comprises six male Directors and one female Director, and half of the Company's senior management (including executive Directors) are female. The Company believes that the current Board composition reflects a balance of skills, experience and expertise appropriate for the requirements of the Company's business development and for effective leadership. All the executive Directors (including male and female) possess extensive experience in the Company's industry while the non-executive Directors (including independent non-executive Directors) possess professional knowledge and broad experience in diversified areas including business management, finance and accounting, cover different gender and age group. With the contribution of the other senior management members, the present structure provides effective channel for opinion from different diversity aspects to be considered, ensuring the independence and objectivity of the Board. The balanced composition of the Board and committees, combined with the fixed-fee remuneration structure of non-executive Directors, the conflict management mechanism, transparent and timely information distribution to all Directors, and availability of access to professional advice provided to all Directors, ensure that independent views and input are available to the Board. These mechanisms remained effective during the Period under Review.

The Group has a fairly balanced workforce in terms of gender. As of 31 December 2022, out of 556 full-time employees (including senior management), around 40.47% were female. Further information about the Group's staff by gender and other employment and labour practices are set out in the ESG Report.

The Board believes that the Board and the Group's overall workforce is diverse in terms of gender, and intends to continue the current balance of gender diversity on the Board and senior management level, and on the level of its overall workforce. The Company will also review its Board Diversity Policy (including gender diversity) and re-visit its above gender diversity objectives from time to time to promote the implementation of its Board Diversity Policy and the overall effectiveness of the Board. To support diversity at different levels, the Group is enhancing diversity awareness through employee networks, hiring and recruitment practices, and awareness raising promotions and training for all employees.

The Board has also adopted a director nomination policy (the "Nomination Policy") in compliance with the Code, which establishes criteria and procedures for the Nomination Committee to identify and consider individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the selection and appointment of new Directors.

Corporate Governance Report

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant skills, experience and diversity of perspectives critical to the Group's business to enable the Board to make sound and well-considered decisions.

Nomination Process

When receiving the proposal to appoint a new Director, the Nomination Committee shall (i) assess the candidate with reference to the selection criteria as set out in the Nomination Policy to determine the eligibility of the candidate to serve as a Director; (ii) if there are more than one desirable candidates, rank them in accordance with the needs of the Company and the merits of each candidate; and (iii) make recommendations to the Board on the appointment of a suitable candidate to serve as a Director (if applicable).

When a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee shall (i) review the overall contribution and services of the retiring Director and his/her performance and level of participation; (ii) assess whether the retiring Director satisfies the selection criteria as set out in the Nomination Policy; and (iii) if considered appropriate, make recommendations to the Board in turn recommend the Shareholders on the voting direction.

Selection Criteria

Candidate would be assessed with reference to the Company's Nomination Policy and the Board Diversity Policy, with object criteria including his/her (i) character (in terms of his/her honesty, integrity, motivation or reputation), (ii) merits (in terms of his/her qualifications (including professional qualifications), skills, knowledge, accomplishment and experience related to the business and strategy of the Company and the diversity), (iii) expertise, (iv) commitment and resources (including time) for proper discharge its duties; and (v) (for candidate for independent non-executive Director) his/her independence.

The Board shall review and reassess the Nomination Policy and its effectiveness on a regular basis or as required.

The roles and functions of the Nomination Committee include:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) reviewing the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

Corporate Governance Report

The Nomination Committee held one meeting during the Period under Review and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors; and

4. other duties as stipulated under the Listing Rules (including the Code) and terms of reference.

Environmental, Social and Governance (ESG) Committee

As at 31 December 2022, the ESG Committee consisted of four members, including three executive Directors, namely Mr. Zhang Dafan, Ms. Xie Mei, Mr. Lin Kaihua, and one independent non-executive Director, Mr. Chu Wing Yiu. Mr. Zhang Dafan is the chairman of the ESG Committee.

The major roles and functions of the ESG include:

(a) formulating and reviewing the ESG strategy, vision, tactics, principles and policies of the Group, and implementing ESG policies and measures approved by the Board;

(b) reviewing and determining the ESG management structure and mechanism optimisation operation plan of the Group, reviewing the ESG management structure and policies of the Group, and providing suggestions to the Board on the related ESG management structure of the Group;

(c) reviewing material ESG issues involved in the business operations of the Group, confirming the identified risks and opportunities related to ESG, reviewing and approving the material ESG issues on a regular basis, and reviewing whether the ESG risks of the Group are effectively managed and controlled;

(d) monitoring communication with the stakeholders and ensuring that there are policies established to effectively promote the relationship between the Group and the stakeholders, and identifying the communication results with the stakeholders;

(e) monitoring incorporation of ESG principles into the business decision-making procedures;

(f) monitoring the ESG performance of the Group in compliance with regulators' and investors' requirements and recommending to the Board;

Corporate Governance Report

(g) identifying the formulation of the ESG goals of the Group, the corresponding implementation rules and effectiveness, to regularly reviewing and reporting to the Board the progress regarding the achievement of ESG goals, and identifying corresponding initiatives and measures on actions required to improve performance;

(h) ensuring that the Company prepares and discloses the ESG Report in accordance with the requirements of the Listing Rules, identifying the ESG data analysis results of the Company, and reporting to the Board that the annual disclosure of ESG is in compliance with relevant requirements; and

(i) reporting to the Board the ESG-related governance matters.

The ESG Committee held one meeting during the Period under Review, and performed the major works as below:

1. reviewed the 2021 ESG report;

2. reviewed the sustainable development goals set and assess the level of achievements;

3. reviewed and confirmed the content of the Company's ESG Statements of the Board; and

4. other duties as stipulated under the Listing Rules (including the Code) and terms of reference.

With effect from 23 March 2023, Mr. Wang Jianwen has been appointed as a member of the ESG Committee, in place of Ms. Xie Mei.

Risk Management and Internal Control

The Company's management pays high attention to comprehensive risk management with a belief that comprehensive risk management and internal control systems is crucial to the Company achieving its strategic goals. The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems. For this purpose, the Board ensures that the Company has established a robust framework of ongoing risk management procedures in identifying, evaluating and managing significant risks faced to promote the long-term success.

The Board is responsible for maintaining and reviewing the effectiveness of the Company's risk management and internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and procedures that have been put in place do not provide an absolute shield against factors including unpredictable risks and uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against misstatement of management and financial information and records or against financial losses or fraud.

Corporate Governance Report

The Company has not encountered any risk incidents in the capital market since its listing. There has been no significant error or weakness identified in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Company during the Period under Review.

The Company has set up a risk control and audit department which is responsible for internal audits and is independent of other departments of the Company. The department conducts a special audit of subsidiaries based on the annual audit plan, and submits the audit results to the management of the Company. Meanwhile, its opinions and recommendations in respect of the existing problems of the subsidiaries are included in the audit results, which will be issued to the relevant subsidiaries. The relevant subsidiaries will then be required to make rectifications within a specific period. By conducting a comprehensive inspection of the risk management system, control measures and governance procedures of the Company, the department monitors the effectiveness of internal control of the Company.

In addition, the risk control and audit department, on an annual basis, submits the comprehensive risk management report at the beginning of the year, and submits the interim report in the middle of the year. The comprehensive risk management report describes the integrity and effectiveness of the risk management and internal control system of the various departments of the Group, the results of internal and external risk assessment on the strategy, finance, regulation and compliance, market and operation, identifies the significant risks which could have material impacts on the Company, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions with respect to the aforementioned risks. The interim report presents the standardised operation procedures of the Company's business as well as the risk control and audit department's supervision on business. The report describes how the Company prevents project risks before, during and after project investment in a comprehensive manner and formulates new system and procedures for new businesses and situations to control risks efficiently. The existing control measures may not only identify and address all principal risks but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Company.

Three Lines of Defence

With respect to its existing businesses and under the risk management framework of the Stock Exchange regarding regulatory requirements for listed companies in Hong Kong, the Company has established, and improves on an-going basis, the three lines of defence for its risk management organisational system, covering (among others) decision-making and monitoring of comprehensive risk management, implementation of comprehensive risk management measures and assessment of comprehensive risk management.

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

First Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments, subsidiaries, special teamwork groups and the "risk manager" system of the Company constitute the first line of defence for the implementation of comprehensive risk management measures, mainly responsible for conducting and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments and subsidiaries of the Company to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Corporate Governance Report

Second Line of Defence: Defence line for assessment of comprehensive risk management

As the second line of defence for comprehensive risk management, the Company's risk control and audit department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and the ongoing effectiveness of risk countermeasures through risk management, legal management and internal audit, and issuing reports on supervision, assessment and audit, etc.

Third Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

The defence line for decision-making and monitoring of comprehensive risk management is the third defence line of the Company's comprehensive risk management organizational system, consisting of the Board and management. The Company's Board and management, as comprehensive risk management decision-making and monitoring institutions, are mainly responsible for approving the Company's risk management organizational structure and responsibility plan, approving the Company's risk management policies, risk management measures and major risk solutions as well as monitoring and supervising the construction and implementation of the comprehensive risk management system and internal control evaluation system.

Management Procedures for Significant Risks

In order to improve the monitoring and management of significant risks and fully leverage the effect of the three lines of defence for the Company's risk management organisational system, the Company on an annual basis organises all departments and subsidiaries to conduct risk assessment under the lead of the risk control and audit department.

Based on risk management provisions and actual corporate status, the Company conducts risk assessment mainly focusing on four aspects: strategic risk, financial risk, operational risk, as well as legal and compliance risk. To identify the abovementioned risks, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on the core business. The Company aims to prevent the occurrence of risk events by tracking and managing the whole process of risk assessment and relevant significant risks, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Measures and Means of Defence Lines:

With an aim to improve the risk management and internal control systems while enhancing management standards and ability to mitigate risks, the risk control and audit department organises all functional departments and subsidiaries of the Company for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and subsidiaries to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create a unified cultural atmosphere for risk management within the Group. In addition, the Company has developed a culture for risk management thanks to the development of comprehensive risk assessment and response mechanisms.

In order to further improve the risk management awareness of all employees, the Company strives for an innovative model for the establishment of internal control system, internal control personnel are encouraged to share its experiences, are provided with training courses and resources. A "risk manager" mechanism has been established within the Company. The "risk managers" are under the supervision of the Company's risk managing unit, namely the risk control and audit department, and have been deployed in each department and subsidiary. The mechanism systematically improves the effectiveness of the internal control system and risk management, thus achieving smooth and standardised business flow between the headquarters and subsidiaries of the Company.

Corporate Governance Report

Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks.

Principal Risks and Control Measures in 2023

Type of Risk	Description	Key Control Measures	Caused by
Management risks of comprehensive development projects	The supply side and demand side of the real estate market experienced downward trends in 2022, and there is uncertainty about whether the recovery process can be accelerated in 2023. This may cause the risk of reduced sales of invested real estate projects, thereby financial pressure.	(1) Track the projects' fund reserve and usage, development and sales progress in a timely manner, and adopt a more flexible pricing strategy to promote sales; (2) Actively communicate and negotiate with the government, project companies and relevant partners to formulate and implement solutions to defuse project risks, in respect of those projects that are significantly different from the planned schedule in terms of progress; (3) Be more cautious about new investments in real estate, and focus more on high-quality projects in core cities. Determine the amount of investment according to the amount of revenue to ensure stable cash flow.	Affected by multiple factors such as volatility of the epidemics, policies and regulations on the real estate industry, and weakening residents' consumption expectations, both the supply and demand sides of China's real estate industry are in a downward trend.
Investment management risks	The investment and exit cycles of private equity funds in invested projects are generally long. If the industry policy or industry environment in which the invested project operates undergoes major changes before exiting, it may lead to the risk of project investment loss.	(1) Strengthen the analysis and understanding of national policies and industrial policies, and choose investment tracks in line with the general trends of national industrial development; (2) Conduct sufficient business, financial and legal due diligence on the invested company before investment; strictly follow the Company's system and procedures to perform corresponding decision-making procedures during the investment process; and closely track the development trend of the invested company, discover risks in a timely manner, and take decisive measures to deal with them after the investment.	Each invested company is in its specific industry, and national macroeconomic policies and industrial policies are one of the key factors that affect the success of equity investment. If without sufficient understanding of the industry, national policy and industrial policy of the company or failing to accurately predict the future development trend, there will be insufficient positioning of the industry, and inaccurate targeting of the industry in which the invested company operates.

Corporate Governance Report

Principal Risks and Control Measures in 2023

Type of Risk	Description	Key Control Measures	Caused by
Strategy implementation risks	Insufficient coordination between resource allocation and business planning.	Optimizing enterprise resources is not only a continuous work, but also a dynamic process. On the one hand, continue to carry out the feasibility study and analysis of the region, industry, policy environment and resource supply of the Company to provide support for the design of resource allocation optimization schemes. On the other hand, through lean management in all aspects, the effectiveness of capital, human resources and other resources can be maximized, and a resource guarantee system for strategic implementation can be reasonably established to achieve the coordination of resource allocation and strategic planning.	Failure to update or optimize resource allocation in a timely manner based on existing business planning and strategic systems.
Safety production risks	The construction safety issues that may be involved in the construction process of the proposed new construction projects.	1) Further establish and improve various safety management systems and strengthen construction safety publicity and education to ensure that various safety measures are in place, improve the safety awareness of all management personnel and construction personnel, and enhance the emergency response capabilities of construction site personnel. 2) Strengthen safety construction management in all aspects. Clarify the quality and safety responsible persons and quality standards for each link, location, type of work and operation in the construction, and strengthen the monitoring and inspection of each link.	During the construction process of the proposed new construction projects, there may be risks of construction safety problems due to failure to comply with safe and civilized construction requirements.

Corporate Governance Report

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure that the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2022, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are reasonable. The Company recognises that high-quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Independent Auditor's Report on Page 60. Through the Audit Committee, the Board has reviewed the continued effectiveness of the Group's internal control system, covering material controls, including financial, operational and compliance controls. The assessment considered, among others, the system, its implementation and effectiveness, the management ongoing monitoring of risks, the nature and extent of significant risks and changes since prior year, incidence/weakness identified during the Period under Review, adequacy of resources and background of responsible staff. The Audit Committee considers that the necessary and adequate mechanisms have been put in place, and being implemented. The Board considers that the Group's risk management and internal control system to be effective and adequate throughout the Period under Review and up to the date of this annual report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Period under Review, the Group paid total Directors' remuneration of approximately RMB1.761 million, RMB1.356 million, RMB0.207 million, RMB0.207 million and RMB0.207 million to Ms. Xie Mei, Mr. Lin Kaihua, Ms. Wong Wai Ling, Professor Lam Sing Kwong Simon and Mr. Chu Wing Yiu respectively and Mr. Zhang Dafan and Mr. Wang Wenjin did not receive any Director's remuneration from the Group during the Period under Review. Details in relation to the Director's remuneration of the Group are set out in Note 7 to the Consolidated Financial Statement. No director has waived or agreed to waive any emoluments during the Period under Review..

Corporate Governance Report

Directors' and senior managements' remuneration is determined based on a variety of factors such as individual duties and responsibilities within the Group, his/her qualifications and experience, and prevailing market conditions and the Company's performance and their individual performance. Senior management's (including Ms. Xie Mei, who was a Director and a senior management during the Period under Review) remuneration made by the Group during the Period under Review falls within the following bands:

	Number of senior management
RMB1,000,001 to RMB2,000,000	4

SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") regarding securities transactions by Directors. On specific enquiry made, all the Directors have confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions during the Period under Review.

The senior management and staff who is likely to possess inside information relating to the Company and the Shares due to their offices have been provided with guidelines no less exacting than the Model Code regarding securities dealings in the Company's securities.

COMPANY SECRETARY

The Company Secretary of the Company is an employee of the Company, and reports directly to the Board. All Directors have access to the Company Secretary. The Company Secretary is responsible for ensuring that meeting procedures of the Board/committees and relevant legal requirements are property following, and facilitating Directors in understanding their legal and other duties as Directors of a listed company by arranging professional training, regulatory updates and advice. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. The Company Secretary is also responsible for supervising and managing the investor relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the Period under Review.

Corporate Governance Report

EXTERNAL AUDITOR

KPMG will retire at the forthcoming AGM, and a resolution on the re-appointment of the Company's auditor will be proposed at that time.

For the Period under Review, the audit and non-audit (including reporting accountant services for notifiable transactions) service fees paid to KPMG were approximately RMB4.36 million and RMB0.53 million, respectively.

The auditor's responsibilities to the shareholders of the Company are set out in the Independent Auditor's Report on Page 60 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to the relationship and communication with shareholders and investors. The Company has a variety of communication channels in place, such as holding press conferences, seminars, contacting the media, analysts and fund managers and maintaining dialogue with designated senior managers and analysts, fund managers and investors, and it also arranges them to visit the Company and investment projects from time to time to allow them to understand the business and latest development of the Group. In addition, investors can also keep abreast of the latest information and business development of the Group on the Company's website (www.oct-asia.com).

SHAREHOLDERS ENGAGEMENT

The Board and senior management recognise the Company's responsibility to safeguard the interests of the Shareholders. The Company places high priority to ensure that the Shareholders and investors can keep abreast of the Company's status. The Company has a Shareholders' Communication Policy with an aim to provide equal and timely access to balanced and understandable information on the Company, so as to enable them to exercise their rights in an informed manner, and to allow the Shareholders and the investors to engage actively with the Company. The Company believes that maintaining good and effective communication with Shareholders can facilitate their understanding of the business performance and strategies of the Group. The Company provides regular financial reports and public announcements to the shareholders, and also distributes latest news and press release on general information about its business through the Company's website (www.oct-asia.com).

The general meetings of the Company provide an appropriate platform for direct communication between the Board and the Shareholders. Shareholders are welcomed to raise questions concerning the performance and future direction of the Group at general meetings or through the Company Secretary via procedures set out on the next page.

There were no significant changes in the Articles in the Period under Review. The Company has proposed to amend its Articles to (among others) bring the Articles in alignment with the Listing Rules and applicable laws of the Cayman Islands. A special resolution will be proposed at the forthcoming AGM to consider such amendments. Please refer to the Company's circular regarding resolutions to be proposed at the AGM for further details.

The Board reviewed the Company's shareholders and investors engagement and communication activities conducted in 2022, and was satisfied with the implementation and effectiveness of the Shareholders' Communication Policy.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

In accordance with the requirements under Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholder may convene an extraordinary general meeting if he/she/it wishes to put forward an additional proposal at shareholders' meetings.

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registered Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company, will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Recipient: Company Secretary
Overseas Chinese Town (Asia) Holdings Limited,
59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders.

Directors' Report

The Board presents the annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. The Company's registered office situates at Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1–1108, Cayman Islands and its principal place of business in Hong Kong situates at 59/F., Bank of China Tower, 1 Garden Road, Hong Kong, respectively.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in comprehensive development, equity investment and fund management.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on Pages 6 to 21 of this annual report. A summary of the Group's key risks is set out in the "Corporate Governance Report" on Pages 40 to 41 of this annual report. The discussion forms part of the "Directors' Report".

RESULTS AND DISTRIBUTIONS

The results of the Group for the Period under Review are set out in the consolidated statement of profit or loss on Page 63 to this annual report.

The Board has adopted a dividend policy (the "Dividend Policy") to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions. There is no guarantee or assurance that dividends of any amount will be declared or distributed in any given period and the Company does not have a predetermined dividend payout ratio. The declaration, payment and form of dividends are at the absolute discretion of the Board, and the final dividend to be declared shall be subject to the approval of the Shareholders, the Articles, the laws of Cayman Islands, any other applicable laws and regulations, and the provision of this Dividend Policy.

The Board in determining the level of dividends will consider factors including (without limitation): 1. distributable profits; 2. earnings; 3. current financial position; 4. capital requirements and expense planning; 5. past financial performance; 6. past and forecasted cash flows; 7. business status and strategies; 8. future operations and profitability; 9. shareholder interests; 10. restrictions on dividend payments (including contractual restrictions such as restrictions stipulated in any financing agreement). Subject to the relevant laws and regulations and the Articles, the Company may also declare interim dividends, special dividends and/or any distributions that are considered appropriate by the Board in addition to the annual distributions with reference to the above factors. The Board will review the Dividend Policy from time to time.

The Directors do not propose the distribution of a final dividend to holders of ordinary shares of the Company for the year ended 31 December 2022.

There was no arrangement under which a shareholder has waived or agreed to waive any dividend during the Period under Review.

Directors' Report

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2022 and the financial position of the Group as of 31 December 2022 are set out in the consolidated financial statements on Pages 63 to 67.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the list of shareholders entitled to attend the forthcoming annual general meeting ("AGM"), the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (being the record date of the AGM) (both days inclusive), during which period no transfer of the Shares will be registered. In order to be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 14 June 2023.

TRANSFER TO RESERVES

The loss attributable to Shareholders of the Company before dividend payment of approximately RMB2.158 billion (2021: approximately RMB1.112 billion) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and Note 28 to the consolidated financial statements.

FIXED ASSETS

During the Period under Review, the Group invested approximately RMB206 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in Note 11 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The ESG report has been despatched to the shareholders of the Company and published on the "Investor Relations" page on website of the Company (www.oct-asia.com) and the Stock Exchange (www.hkexnews.com) on the same date, in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules.

TAX RELIEF

The Company is not aware of any tax relief available to the shareholders of the Company by reason of their holdings in the Company's securities.

SHARE CAPITAL

As of 31 December 2022, the total number of issued ordinary shares was 748,366,000 shares (31 December 2021: Same). Details of the movements in the share capital of the Company during the Period under Review are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as of 31 December 2022 amounted to approximately RMB1.708 billion.

RIGHT OF FIRST REFUSAL

There was no provision in respect of pre-emptive rights in the Articles or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period under Review, save as disclosed in this annual report, the Company or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Company.

MATERIAL CONTRACTS

Save as disclosed in this annual report, no contract of significance has been entered into or subsisting during the Period under Review between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries, and no contract of significance for the provision of service to the Group was entered into or subsisting during the Period under Review between the Group and the controlling shareholder or its subsidiaries.

Save as disclosed in this annual report, during or at the end of the Period under Review, there was no equity-link agreement entered into by the Company or subsisting, and there was no transaction, arrangement or contract entered into by any specified undertaking of the Company in which a person who was a Director had a material interest directly or indirectly.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation during the Period under Review and as of the date of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In implementing green development and operations, the Group has always adhered to the development principles of "Innovation, Coordination, Greenness, Open-up and Sharing", integrating the concept of sustainable development into environmental management, production, daily operation and project investment. In recent years, the Group has been focusing on comprehensive development, investment and fund management. The Group will also continuously update and improve the environmental management system, facilitating green development in line with any adjustment in principal business and structure.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company's issued Shares are listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the Period under Review, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

DIRECTORS

The Directors during the Period under Review were as follows:

Executive Directors:

Mr. Zhang Dafan *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer) (Note)*
Mr. Lin Kaihua

Non-executive Director:

Mr. Wang Wenjin

Independent Non-executive Directors:

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Note: With effect from 23 March 2023, Ms. Xie Mei has retired and resigned from the offices of the executive Director and the Chief Executive Officer. Mr. Wang Jianwen has been appointed in her places.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with him/her is or was materially interested (whether directly or indirectly) subsisted during, or at the end of, the Period under Review.

There was no arrangements to which the Company or any of its parent or subsidiaries is a party, and whose object is to (or includes) enable Director to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate, during or at the end of the Period under Review and which is not disclosed in this annual report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management are set out on Pages 22 to 25 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business other than the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business which need to be disclosed pursuant to Rule 8.10 of the Listing Rules during the Period under Review and up to the date of this annual report.

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

Save as disclosed below, as of 31 December 2022, no interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules:

Long position in ordinary shares of the Company ("Shares")

Name of Directors	Capacity/Nature	Number of Shares	Approximate percentage of issued Shares
Lam Sing Kwong Simon	Beneficial owner	1,000,000	0.13%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2022, so far as the Directors are aware of, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which have been notified to the Company 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 pursuant to section 336 of the SFO:

Directors' Report

Long and short positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of Shares	Approximate percentage of issued Shares
Pacific Climax Limited ("Pacific Climax")	Beneficial owner *(Note 1)*	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(Note 2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(Note 3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(Note 4)*	530,894,000 (long position)	70.94%

Notes:

(1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 Shares. Ms. Xie Mei (a Director as of 31 December 2022), Mr. Lin Kaihua and Mr. Wang Wenjin (each a Director) were directors of Pacific Climax as of 31 December 2022.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Ms. Xie Mei was a director of OCT (HK) as of 31 December 2022.

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the holding company of OCT Ltd. and together with its wholly-owned subsidiary, Shenzhen OCT Capital Investment Management Company Limited, hold 47.97% interests in OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as of 31 December 2022, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review, other than the contract of service with Directors and the management staff regarding their full time employment.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Percentage of the Group's operating revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Operating revenue	Purchases
Largest customer	0.72%	
Total proportion of the top five customers	2.20%	
Largest supplier		26.50%
Total proportion of the top five suppliers		71.11%

The Group recognised the importance of maintaining a good relationship with customers and suppliers. There were no material customers' or suppliers' disputes during the Period under Review.

During the Period under Review, none of the Directors, their close associates or any shareholders (who to the knowledge of the Directors own more than 5% of the issued Shares) had any interest in the Group's top five suppliers or customers.

CONNECTED TRANSACTIONS

During the Period under Review, the Group has the following continuing connected transactions which were required to be disclosed under the Listing Rules (the "Connected Transactions") and the Company has fully complied with the applicable announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. On 30 December 2019, Shenzhen OCT Huaxin Equity Investment Management Co., Ltd. ("OCT Huaxin") entered into the Happy Coast tenancy agreement ("Happy Coast Tenancy Agreement") with Shenzhen Overseas Chinese Town Entertainment Investment Limited ("OCT Entertainment") for a term of three years with effect from 1 March 2020 and ended on 28 February 2023, pursuant to which, OCT Entertainment agreed to lease a property located in Jacaranda International Business Center, Shenzhen, the PRC to OCT Huaxin as office premises.

   OCT Entertainment is a wholly-owned subsidiary of OCT Property (Group) Co., Ltd. ("OCT Property"), which is wholly-owned by OCT Ltd. (a controlling shareholder of the Company). It is a connected person of the Company, therefore, the arrangement concerning the Happy Coast Tenancy Agreement constitutes a connected transaction.

2. On 30 December 2019, OCT Shanghai Land entered into a property management agreement (the "Property Management Agreement") with the Shanghai Zhabei branch office ("OCT Property Service Shanghai Zhabei Branch") Shenzhen Overseas Chinese Town Property Service Company Limited ("OCT Property Service") for a term of three years with effect from 1 January 2020 and ended on 31 December 2022. Pursuant to the Property Management Agreement, OCT Property Service Shanghai Zhabei Branch provided property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company. OCT Property Service Shanghai Zhabei Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction.

Directors' Report

3. On 30 December 2019, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement (the "Electrical and Mechanical Services Consultation Agreement") with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years with effect from 1 January 2020 and ended on 31 December 2022. Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provided electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constituted a continuing connected transaction.

4. On 8 July 2020, Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd (合肥華僑城環巢文旅置業發展有限公司) ("Hefei OCT Huanchao"), an indirect non-wholly owned subsidiary of the Company, entered into a property management framework agreement with Hefei branch office of OCT Property (Group) Co., Ltd. ("OCT Property (Hefei)"), pursuant to which OCT Property (Hefei) would provide property management services for the development project in respect of Hefei Chaohu Bantang Hot Spring Town and the office areas of Hefei OCT Huanchao to Hefei OCT Huanchao for the period from 8 July 2020 to 31 December 2022.

   OCT Property (Hefei) is a branch of OCT Property, which is in turn an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property (Hefei) is a connected person of the Company, and the transaction under the property management framework agreement constituted a continuing connected transaction.

5. Hefei OCT Industry Development Co., Ltd. ("Hefei OCT Industry"), an indirect non-wholly owned subsidiary of the Company, entered into a planning technical services framework agreement with Shenzhen OCT Innovation and Research Institute Co., Ltd. ("OCT IRI") on 17 August 2020, pursuant to which OCT IRI provided technical consultation services in relation to project planning and design for the development project in respect of Hefei Airport International Town to Heifei OCT Industry for the period from 17 August 2020 to 31 December 2022.

   OCT IRI, a company directly and wholly owned by OCT Group, is therefore a connected person of the Company, and the transaction under the planning technical services framework agreement constituted a continuing connected transaction.

6. On 7 July 2021, Hefei OCT Industry, entered into the Property Services Framework Agreement with OCT Property (Hefei), in relation to the provision of property services by OCT Property (Hefei) to Hefei OCT Industry for the Hefei Airport International Town Project and the office areas of Hefei OCT Industry, for the period from 7 July 2021 to 31 December 2022.

   OCT Property (Hefei) is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property (Hefei) is a connected person of the Company, and the transaction under the property management framework agreement constituted a continuing connected transaction.

Directors' Report

7. On 11 August 2022, Hefei OCT Industry entered into a procurement framework agreement with Yilifang (Hainan) Technology Limited (易立方(海南)科技有限公司) ("Yilifang Technology"), pursuant to which Yilifang Technology would provide Konka products procurement services to Hefei OCT Industry for Hefei Airport International Town Project for a term from 11 August 2022 and up to 31 December 2024.

   Yilifang Technology is an associate of Konka Group Co., Ltd. ("Konka"). Konka, in turn, is controlled by OCT Group (a controlling shareholder of the Company). Therefore, Yilifang Technology is a connected person of the Company, and the procurement framework agreement and the transaction contemplated thereunder constitute a continuing connected transaction.

Details of the aforesaid transactions are set out in the announcement of the Company dated 30 December 2019 (regarding items 1 to 3), the announcement of the Company dated 8 July 2020 (regarding item 4), the announcement of the Company dated 17 August 2020 (regarding item 5), the announcement of the Company dated 7 July 2021 (regarding item 6), and the announcement of the Company dated 11 August 2022 (regarding item 7), respectively. When determining the price and terms of the above transactions conducted during the Period under Review, the pricing policies and guidelines set out in the relevant agreement and the announcement/circular have been followed.

The transaction amount and annual cap of the Connected Transactions for the Period under Review are as follows:

		Annual cap (RMB'000)	Actual amount incurred (RMB'000)
1	Happy Coast Tenancy Agreement between OCT Huaxin and OCT Entertainment with respect to office premises	1,150	725
2	Property Management Agreement between OCT Shanghai Land and OCT Property Service Shanghai Zhabei Branch	62,320	60,260
3	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	750	–
4	Property Management Framework Agreement between Hefei OCT Huanchao and OCT Property (Hefei)	20,000	5,920
5	Planning Technical Services Framework Agreement between Hefei OCT Industry and OCT IRI	8,000	3,146
6	Property Services Framework Agreement between Hefei OCT Industry and OCT Property (Hefei)	27,500	12,184
7	Procurement Framework Agreement between Hefei OCT Industry and Yilifang Technology	20,000	–

On 7 May 2019, OCT Financial Leasing Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a finance lease and factoring framework agreement with OCT Ltd. for providing finance lease and factoring services to OCT Ltd. with a term of one year from 19 June 2019 (the "Effective Period"), with annual caps of RMB2,225 million (for principal amount granted during the Effective Period under all agreements entered into during the Effective Period) and RMB275 million (for interest and fees during the entire implementation period), respectively. No new implementation agreements were entered into and no principal amount were incurred during the Period under Review. As set out in the circular dated 24 May 2019, contract periods of the implementation agreements were longer than the Effective Period. Certain implementation agreements were valid during the Period under Review. The aggregate amount accumulated up to 31 December 2022 (including the Period under Review) were approximately RMB200 million (for principal amount) and RMB24 million (for interest and fee) respectively. The Company had comply with the disclosure, reporting and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that during the Period under Review, the above Connected Transactions have been:

(1) entered into in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Group is concerned, the terms of the above transactions are no less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions, and the terms of the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the Company's auditors have confirmed in writing to the Board, nothing had come to their attention which caused them to believe that:

- the Connected Transactions have not been approved by of the Board;

- the Connected Transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions;

- the Connected Transactions were not, in all material aspects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; and

- with respect to the aggregate amount of each of the Connected Transactions, that the transaction have exceeded the annual cap as set by the Company (disclosed in the respective announcement).

OCT Gangya (a subsidiary of the Group, as tenant) entered into a tenancy agreement with OCT Entertainment for the lease of an office in Nanshan District on 28 September 2020, for a term of three years from 1 October 2020. The rental payment under the lease constituted a one-off connected transaction and was subject to the reporting and announcement requirements based on its aggregated value of right-of-use assets, and the management fees constituted fully-exempt de minimis continuing connected transactions, details are set out in the announcement of the Company dated 28 September 2020.

The related party transactions are set out in Note 32 to the consolidated financial statements of the Company. Except for the connected transactions disclosed above, all the other related party transactions did not fall under the scope of non-exempt connected transactions which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Period under Review, OCT Group and its associates provided financial support to the Group, and the interest and related expenses incurred by the Group to OCT Group and its associates amounted to approximately RMB116 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for such financial support received by the Group from its connected person(s) was conducted on normal commercial terms or better (for listed issuer's group) and was not secured by the assets of the Group.

Directors' Report

The Group has entered into the following framework agreements, which are not fully exempt pursuant to Chapter 14A of the Listing Rules, during the Period under Review:

1. On 23 November 2022, Hefei OCT Huanchao entered into a property management framework agreement with OCT Property (Hefei), pursuant to which OCT Property (Hefei) would provide the property services to Hefei OCT Huanchao for the Hefei Chaohu Bantang Hot Spring Town project and the office areas of Hefei OCT Huanchao for a term from 1 January 2023 and up to 31 December 2025 with a respective annual cap of RMB2.6 million for each year.

2. On 23 November 2022, Hefei OCT Huanchao entered into a property services framework agreement with Chaohu Economic Development Zone branch, OCT Property (Group) Co., Ltd. (華僑城物業(集團)有限公司巢湖經濟開發區分公司) ("OCT Property (EDZ)"), pursuant to which OCT Property (EDZ) would provide the property services to Hefei OCT Huanchao for the Hefei Chaohu Bantang Hot Spring Town project for a term from 1 January 2023 and up to 31 December 2025, with a respective annual cap of RMB3.88 million, RMB2.65 million and RMB3.77 million.

3. On 23 November 2022, Hefei OCT Industry, an indirect non-wholly owned subsidiary of the Company, entered into a property services framework agreement with OCT Property (Hefei), pursuant to which OCT Property (Hefei) would provide the property services to Hefei OCT Industry for the Hefei Airport International Town project and the office areas of Hefei OCT Industry for a term from 1 January 2023 and up to 31 December 2025, with a respective annual cap of RMB19.1 million, RMB29.86 million and RMB28.46 million.

4. On 23 November 2022, Hefei OCT Industry, an indirect non-wholly owned subsidiary of the Company, entered into a property services framework agreement with Shanghai Jing'an branch, OCT Property (Group) Co., Ltd. (華僑城物業(集團)有限公司上海靜安分公司) ("OCT Property (Jing'an)"), pursuant to which OCT Property (Jing'an) would provide the property services for the Shanghai Suhewan project for a term from 1 January 2023 and up to 31 December 2025, with a respective annual cap of RMB38.04 million, RMB43.16 million and RMB44.18 million.

OCT Property is an indirect wholly owned subsidiary of OCT Ltd. As such, OCT Property is a connected person of the Company. Each of OCT Property (Hefei), OCT Property (EDZ) and OCT Property (Jing'an) is a branch of OCT Property. Therefore, the arrangement under the above property management agreements constitute continuing connected transactions under the Listing Rules. Details are set out in the circular of the Company dated 12 December 2022.

BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans of the Company and the Group as of 31 December 2022 are set out in Note 24 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on Pages 164 to 166 of this annual report.

Directors' Report

PENSION SCHEMES

The Group participates in two defined contribution pension schemes which cover the Group's full-time employees. Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution pension benefit schemes organised by the relevant local government authorities. The only obligation of the Group with respect to such pension benefit schemes is to make the specified contributions under the schemes. Furthermore, the Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. The MPF Scheme is a defined contribution pension plan administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

Details of these pension schemes are set out in Note 26 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' LIABILITY INSURANCE TO PERMITTED INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

AUDITOR

KPMG has been appointed as the auditor of the Company since 22 December 2017. At the Company's previous annual general meeting, KPMG was re-appointed as the auditor of the Company. KPMG will retire and be eligible for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

PUBLIC FLOAT

So far as the Directors are aware of and based on the information that is publicly available to the Company, during the Period under Review and as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

DONATIONS

The Group made charitable and other donations of approximately RMB75,000.00 during the Period under Review.

By order of the Board
Zhang Dafan
Chairman

Hong Kong, 31 March 2023

Independent Auditor's Report

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 63 to 163, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Independent Auditor's Report

KEY AUDIT MATTER *(continued)*

Net realisable value of inventories of comprehensive development business

Refer to note 18 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter

As at 31 December 2022, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB12,496 million.

These principally comprise residential and office properties in Shanghai and Hefei held for sale.

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management.

The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;

- conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project visited and the development budgets reflected in the latest forecasts for these property development projects;

- evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group;

Independent Auditor's Report

KEY AUDIT MATTER *(continued)*

Net realisable value of inventories of comprehensive development business *(continued)*

Refer to note 18 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures implemented in various cities across Mainland China.	• comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2022 with budgets as at 31 December 2021 to assess the accuracy of management's forecasting and budgeting process; and • inspecting sensitivity analyses prepared by management for the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Yu Hei.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	3,072,451	1,474,128
Cost of sales		(2,750,134)	(1,169,981)
Gross profit		322,317	304,147
Other income	4(a)	40,354	55,024
Other net (losses)/gains	4(b)	(32,720)	118,265
Distribution costs		(80,171)	(89,033)
Administrative expenses		(285,126)	(273,053)
(Loss)/profit from operations		(35,346)	115,350
Finance costs	5(a)	(140,357)	(149,216)
Share of profits less losses of associates	14	(1,169,732)	(147,032)
Share of profits less losses of joint ventures	15	(404,051)	88,742
Impairment losses on associates	14	(139,254)	(750,000)
Loss before taxation	5	(1,888,740)	(842,156)
Income tax	6	(107,322)	(56,952)
Loss for the year		(1,996,062)	(899,108)
Attributable to:			
Equity holders of the Company		(1,912,536)	(883,252)
Non-controlling interests		(83,526)	(15,856)
Loss for the year		(1,996,062)	(899,108)
Basic loss per share (RMB)	10	(2.88)	(1.49)

The notes on pages 71 to 163 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company are set out in note 28(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Loss for the year		(1,996,062)	(899,108)
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net movement in fair value reserves (non-recycling)		–	243,697
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		(130,449)	13,383
Share of other comprehensive income of associates and a joint venture		(155,695)	48,960
		(286,144)	62,343
Other comprehensive income for the year		(286,144)	306,040
Total comprehensive income for the year		(2,282,206)	(593,068)
Attributable to:			
Equity holders of the Company		(2,198,680)	(577,212)
Non-controlling interests		(83,526)	(15,856)
Total comprehensive income for the year		(2,282,206)	(593,068)

The notes on pages 71 to 163 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment property	11	425,071	2,408,972
Property, plant and equipment	11	1,117,909	986,334
Interests in leasehold land held for own use	11	1,148,499	1,187,080
		2,691,479	4,582,386
Intangible assets	12	24,517	33,639
Interests in associates	14	2,124,711	3,607,167
Interests in joint ventures	15	706,395	1,137,901
Other financial assets	16	353,098	309,638
Finance lease receivables	17	–	122,588
Deferred tax assets	27(b)	148,325	95,755
		6,048,525	9,889,074
Current assets			
Inventories and other contract costs	18	12,512,456	10,299,940
Finance lease receivables	17	–	98,928
Trade and other receivables	20	355,324	2,723,159
Cash at bank and on hand	21	1,915,139	3,331,662
		14,782,919	16,453,689
Assets of disposal group classified as held for sale	22(a)	1,944,595	–
		16,727,514	16,453,689

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables	23	2,689,507	2,101,689
Contract liabilities	19	1,609,712	3,407,258
Bank and other loans	24	2,578,088	3,322,278
Loans from related parties and non-controlling interests	24	1,941,000	1,911,000
Lease liabilities	25	11,734	13,404
Current taxation	27(a)	147,846	158,777
		8,977,887	10,914,406
Liabilities directly associated with assets of disposal group classified as held for sale	22(b)	1,399,868	–
		10,377,755	10,914,406
Net current assets		6,349,759	5,539,283
Total assets less current liabilities		12,398,284	15,428,357
Non-current liabilities			
Bank and other loans	24	2,155,215	2,425,082
Related party loans	24	175,000	420,000
Lease liabilities	25	6,283	16,818
Deferred tax liabilities	27(b)	181,103	167,015
		2,517,601	3,028,915
NET ASSETS		9,880,683	12,399,442

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
CAPITAL AND RESERVES			
Share capital	28(c)	67,337	67,337
Perpetual capital securities	28(d)	5,615,314	5,606,480
Reserves		502,624	2,946,691
Total equity attributable to equity holders of the Company		6,185,275	8,620,508
Non-controlling interests		3,695,408	3,778,934
TOTAL EQUITY		9,880,683	12,399,442

Approved and authorised for issue by the board of directors on 31 March 2023.

Zhang Dafan
Director

Wang Jianwen
Director

The notes on pages 71 to 163 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in Renminbi)

	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Perpetual capital securities	PRC statutory reserve	Fair value reserve (non-recycling)	Exchange reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 28(c))				*(Note 28(d))*								
Balance at 31 December 2020 and 1 January 2021	67,337	36,884	147,711	31,020	5,610,431	309,996	160,581	(530,233)	(32,058)	3,628,727	9,430,396	3,794,790	13,225,186
Changes in equity for 2021:													
Loss for the year	–	–	–	–	228,725	–	–	–	–	(1,111,977)	(883,252)	(15,856)	(899,108)
Other comprehensive income	–	–	–	–	–	–	243,697	62,343	–	–	306,040	–	306,040
Total comprehensive income	–	–	–	–	228,725	–	243,697	62,343	–	(1,111,977)	(577,212)	(15,856)	(593,068)
Transfer to PRC statutory reserves	–	–	–	–	–	9,000	–	–	–	(9,000)	–	–	–
Disposal of other financial assets measured at FVTOCI	–	–	–	–	–	–	(404,278)	–	–	404,278	–	–	–
Distribution to the holders of perpetual capital securities	–	–	–	–	(232,676)	–	–	–	–	–	(232,676)	–	(232,676)
Balance at 31 December 2021	67,337	36,884	147,711	31,020	5,606,480	318,996	–	(467,890)	(32,058)	2,912,028	8,620,508	3,778,934	12,399,442

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Perpetual capital securities	PRC statutory reserve	Exchange reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 28(c))				*(Note 28(d))*							
Balance at 31 December 2021 and 1 January 2022	67,337	36,884	147,711	31,020	5,606,480	318,996	(467,890)	(32,058)	2,912,028	8,620,508	3,778,934	12,399,442
Changes in equity for 2022:												
Loss for the year	–	–	–	–	245,387	–	–	–	(2,157,923)	(1,912,536)	(83,526)	(1,996,062)
Other comprehensive income	–	–	–	–	–	–	(286,144)	–	–	(286,144)	–	(286,144)
Total comprehensive income	–	–	–	–	245,387	–	(286,144)	–	(2,157,923)	(2,198,680)	(83,526)	(2,282,206)
Transfer to PRC statutory reserves	–	–	–	–	–	38,369	–	–	(38,369)	–	–	–
Distribution to the holders of perpetual capital securities	–	–	–	–	(236,553)	–	–	–	–	(236,553)	–	(236,553)
Balance at 31 December 2022	67,337	36,884	147,711	31,020	5,615,314	357,365	(754,034)	(32,058)	715,736	6,185,275	3,695,408	9,880,683

The notes on pages 71 to 163 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	21(b)	(573,303)	(1,756,122)
Taxes paid		(197,148)	(145,834)
Interest element of lease rentals paid		(661)	(752)
Other interest paid		(269,835)	(274,926)
Net cash used in operating activities		(1,040,947)	(2,177,634)
Investing activities			
Deposit received from disposal of a subsidiary		60,000	–
Dividends received from associates and a joint venture		45,230	33,824
Interest received		37,866	74,431
Proceeds from disposal of other financial assets		12,891	1,100,601
Repayment to the advance from an associate		(1,980)	–
Payment for purchase of property, plant and equipment and intangible assets		(201,906)	(58,539)
Repayment of loans to associates		–	200,921
Return of investment from a joint venture		–	941,430
Net cash flow from disposals of subsidiaries		–	706,416
Dividend received in advance from associates		–	219,529
Proceeds from disposals of property, plant and equipment and investment properties		–	60,894
Payment for investments in joint ventures		–	(815,785)
Payment for investments in associates		–	(308,788)
Net cash (used in)/generated from investing activities		(47,899)	2,154,934

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Capital element of lease rentals paid	21(d)	(13,163)	(16,974)
Proceeds from new loans	21(c)	5,228,448	2,338,099
Repayment of loans	21(c)	(5,303,961)	(3,001,643)
Decrease of restricted cash for REIT programme	21(a)	5,145	273
Distribution to the holders of perpetual capital securities		(236,553)	(232,676)
Net cash used in financing activities		(320,084)	(912,921)
Net decrease in cash and cash equivalents		(1,408,930)	(935,621)
Cash and cash equivalents at 1 January		3,326,517	4,269,520
Cash and cash equivalents included in assets and liabilities of a disposal group classified as held for sale		(6,873)	–
Effect of foreign exchange rate changes		4,425	(7,382)
Cash and cash equivalents at 31 December	21(a)	1,915,139	3,326,517

The notes on pages 71 to 163 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(aa)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts– cost of fulfilling a contract*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q), (r), (s) or (t) depending on the nature of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income (FVTOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(vii).

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1(x)(iii).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– other items of property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life	Residual value %
Buildings held for own use	20 to 32 years	0% to 5%
Machinery	3 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Other equipment	3 to 5 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%
Trademarks	7 years	0%

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily in relation office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)), except for right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(m).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognised in accordance with note 1(x)(iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivables.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Significant increases in credit risk *(continued)*

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, 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 instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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 gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(viii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the 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. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)(i)).

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 e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(x).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

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

(w) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(n)).

For contracts where the period between the payment by the customer and the transfer of the promised property 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 the advance payments by the customer are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs, in accordance with the policies set out in note 1(z).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Hotel revenue

Hotel revenue is recognised when the services have been rendered.

(v) Fund management fee income

Fund management fee income is recognised when the right to charge the management fee is obtained according to the contract.

(vi) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(vii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(ix) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for 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.

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

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) 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 the key management personnel of the Group or the Group's parent.

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group 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 employees of either the Group or an entity related to the Group.

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

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 29(e) contain information about assumptions and their risk factors relating to valuation of other investments in equity securities, other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) Provision for completed properties held for sale and properties held for future development and under development for sale

The Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Land Appreciation Tax ("LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect the consolidated statement of profit or loss in the period in which such determination is made.

(d) Impairment loss of non-current assets

As explained in note 1(l)(iii), the Group determines that investment in associates is impaired when there has been a significant or prolonged decline in the recoverable amount below its cost. Management assesses the differences between the carrying amount and recoverable amount and makes provision for impairment loss. Any change in the assumptions adopted in calculating the recoverable amount would increase or decrease the provision for impairment loss and affect the Group's financial position. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of discount rates and the expected long-term growth rate. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue, amount of operating costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development, equity investment and fund business and finance lease.

(i) Disaggregation of revenue

Revenue represents the sales value of goods or services supplied to customers net of sales related tax. Disaggregation of revenue with customer by business lines is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Sale of properties	2,833,797	1,136,823
– Hotel revenue	134,333	242,156
– Fund management fee income	10,722	6,267
	2,978,852	1,385,246
Revenue from other sources		
– Rental income from investment properties	91,469	73,077
– Finance lease income	2,130	15,805
	3,072,451	1,474,128

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iv) respectively.

The Group's customer base is diversified and there is no customer with whom transaction has exceeded 10% of the Group's revenues (2021: one). In 2021, revenue from sales of property to this customer amounted to approximately RMB884,003,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

As at 31 December 2022, the aggregated amount of RMB1,787,480,000 (2021: RMB3,699,588,000) under the Group's existing contracts expected to be recognised as revenue in the future upon delivery of properties to customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 months.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following three reportable segments.

- Comprehensive development business: this segment engaged in developed and sold residential properties, development and management of properties, property investment and operation of hotel.
- Equity investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, and education.
- Finance lease business: this segment engaged in the finance lease business.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and other non-current assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15								
Disaggregated by timing of revenue recognition								
Point in time	2,968,130	1,378,979	–	–	–	–	2,968,130	1,378,979
Over time	–	–	10,722	6,267	–	–	10,722	6,267
	2,968,130	1,378,979	10,722	6,267	–	–	2,978,852	1,385,246
Revenue from other sources	91,469	73,077	–	–	2,130	15,805	93,599	88,882
Revenue from external customers	3,059,599	1,452,056	10,722	6,267	2,130	15,805	3,072,451	1,474,128
Reportable segment loss for the year	(107,625)	112,536	(1,806,105)	(991,126)	3,696	8,693	(1,910,034)	(869,897)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Interest income								
– bank deposits	22,800	24,155	294	82	5,968	1,034	29,062	25,271
– amounts due from associates	132	1,649	–	–	–	–	132	1,649
Interest expense	(114,813)	(115,594)	(21,319)	(22,520)	(1,816)	(3,991)	(137,948)	(142,105)
Depreciation and amortisation for the year	(162,828)	(175,805)	–	–	–	–	(162,828)	(175,805)
Share of profits less losses of associates	95,636	173,097	(1,265,368)	(320,129)	–	–	(1,169,732)	(147,032)
Share of profits less losses of joint ventures	–	–	(404,051)	88,742	–	–	(404,051)	88,742
Impairment losses on associates	–	–	(139,254)	(750,000)	–	–	(139,254)	(750,000)
Reportable segment assets	19,670,119	20,742,486	2,298,817	4,275,040	312,761	348,279	22,281,697	25,365,805
Additions to non-current segment assets during the year	203,086	65,190	–	–	–	–	203,086	65,190
Reportable segment liabilities	10,295,022	11,776,530	1,061,652	1,300,813	42,868	45,565	11,399,542	13,122,908
Interests in associates	899,263	789,682	1,225,448	2,817,485	–	–	2,124,711	3,607,167
Interests in joint ventures	–	–	706,395	1,137,901	–	–	706,395	1,137,901

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment profit or loss

	2022 RMB'000	2021 RMB'000
Reportable segment loss derived from Group's external customers	**(1,910,034)**	(869,897)
Unallocated head office and corporate net expense	**(86,028)**	(29,211)
Consolidated loss for the year	**(1,996,062)**	(899,108)

(iii) Reconciliations of reportable segment assets and liabilities

	2022 RMB'000	2021 RMB'000
Assets		
Reportable segment assets	**22,281,697**	25,365,805
Unallocated head office and corporate assets	**494,342**	976,958
Consolidated total assets	**22,776,039**	26,342,763

	2022 RMB'000	2021 RMB'000
Liabilities		
Reportable segment liabilities	**11,399,542**	13,122,908
Unallocated head office and corporate liabilities	**1,495,814**	820,413
Consolidated total liabilities	**12,895,356**	13,943,321

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, interests in leasehold land held for own use, intangible assets, and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interests in leasehold land held for own use and investment properties, the location of the operation to which they are allocated, in the case of intangible assets and other financial assets, and the location of operations, in the case of interests in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**3,067,744**	1,469,634	**5,418,314**	9,118,270
Hong Kong	**4,707**	4,494	**481,886**	552,461
	3,072,451	1,474,128	**5,900,200**	9,670,731

4 OTHER INCOME AND NET (LOSSES)/GAINS

(a) Other income

	2022	2021
	RMB'000	RMB'000
Interest income on financial assets measured at amortised cost:		
– bank deposits	**37,900**	42,542
– amounts due from associates	**132**	1,649
Total interest income	**38,032**	44,191
Government grants	**1,952**	10,285
Forfeiture income on deposit on pre-sale of properties	**370**	548
	40,354	55,024

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

4 OTHER INCOME AND NET (LOSSES)/GAINS *(continued)*

(b) Other net (losses)/gains

	2022 RMB'000	2021 RMB'000
Net fair value gain on equity securities	56,351	38,700
Reversals of impairment losses on finance lease receivables and trade and other receivables	3,508	1,051
Penalties for delayed delivery of properties	(56,677)	–
Net exchange (loss)/gain	(35,059)	25,254
Net (loss)/gain on disposal of property, plant and equipment	(4)	1,516
Net gain on disposal of investment properties	–	52,144
Others	(839)	(400)
	(32,720)	118,265

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on bank and other loans	209,016	176,829
Interest on lease liabilities	661	752
Interest on loans from related parties and non-controlling interests	115,715	102,259
Total interest expense	325,392	279,840
Less: amount capitalised*	(185,035)	(130,624)
	140,357	149,216

* The borrowing costs have been capitalised at a weighted average rate of 3.86% (2021: 3.56%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

5 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	195,105	226,826
Contributions to defined contribution retirement plan *(note 26)*	16,264	14,650
	211,369	241,476
Less: amount capitalised under property development projects and construction in progress	(31,483)	(36,255)
Total staff costs expensed during the year	179,886	205,221

(c) Other items

	2022 RMB'000	2021 RMB'000
Amortisation of intangible assets *(note 12)*	9,122	9,126
Depreciation		
– owned property, plant and equipment	97,826	101,560
– right-of-use assets *(note 11(b))*	81,256	88,961
Total depreciation expense	179,082	190,521
Less: amount capitalised to construction in progress	(4,089)	(4,089)
	174,993	186,432
Auditors' remuneration		
– audit services	4,357	4,438
– other services	534	1,976
	4,891	6,414
Rentals income from investment properties less direct outgoings of RMB2,560,000 (2021: RMB2,488,000)	88,909	70,589

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for corporate income tax ("CIT") for the year (i)	119,789	55,417
(Over)/under-provision in respect of prior years	(463)	339
Withholding tax (iii)	1,758	–
	121,084	55,756
PRC land appreciation tax ("PRC LAT") (ii)	24,720	12,628
	145,804	68,384
Deferred tax		
Origination and reversal of temporary differences	(38,482)	(11,432)
	107,322	56,952

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2021: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 December 2022 and 2021.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2021: 25%).

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(iii) Withholding tax

A withholding tax of 10% is levied on the overseas subsidiaries in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008. Under the China-Hong Kong Tax Treaty and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% equity interests or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. Some overseas subsidiaries of the Group are entitled to a reduced withholding tax rate of 5%.

During the year, withholding tax of the dividend distributed by a subsidiary in mainland China amounted to RMB1,758,000 (2021: Nil).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Loss before taxation	(1,888,740)	(842,156)
Notional tax on profit before taxation, calculated at the rate of 25%	(472,185)	(210,538)
Tax effect of non-deductible expenses	485,926	263,795
Tax effect of non-taxable income	(17,855)	(22,829)
Tax effect of temporary difference not recognised	94,921	20,934
Tax effect of temporary difference not previously recognised	(1,562)	(4,224)
(Over)/under-provision in respect of prior years	(463)	339
	88,782	47,477
PRC LAT	24,720	12,628
Tax effect of PRC LAT	(6,180)	(3,153)
	18,540	9,475
Income tax expense	107,322	56,952

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2022 Total RMB'000
Chairman					
Zhang Dafan	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)*	–	569	1,090	102	1,761
Lin Kaihua	–	446	809	101	1,356
Non-executive director					
Wang Wenjin	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	207	–	–	–	207
Lam Sing Kwong Simon	207	–	–	–	207
Chu Wing Yiu	207	–	–	–	207
	621	1,015	1,899	203	3,738

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2021 Total RMB'000
Chairman					
Zhang Dafan	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)	–	1,019	1,255	94	2,368
Lin Kaihua	–	798	883	94	1,775
Non-executive director					
Wang Wenjin	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	199	–	–	–	199
Lam Sing Kwong Simon	199	–	–	–	199
Chu Wing Yiu	199	–	–	–	199
	597	1,817	2,138	188	4,740

* With effect from 23 March 2023, Ms. Xie Mei has retired and resigned from the offices of the executive Director and the Chief Executive Officer. Mr. Wang Jianwen has been appointed in her places.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five highest paid individuals are set out below:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	2,524	3,007
Discretionary bonuses	10,155	17,906
Retirement scheme contributions	504	356
	13,183	21,269

The emoluments of the 5 (2021: 5) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK$2,000,001 – HK$2,500,000 (RMB1,725,263 – RMB2,156,578)	2	–
HK$2,500,001 – HK$3,000,000 (RMB2,156,579 – RMB2,587,893)	–	2
HK$3,000,001 – HK$3,500,000 (RMB2,587,894 – RMB3,019,209)	2	–
HK$4,000,001 – HK$4,500,000 (RMB3,450,525 – RMB3,881,840)	1	1
HK$5,500,001 – HK$6,000,000 (RMB4,313,156 – RMB4,744,471)	–	1
HK$9,500,001 – HK$10,000,000 (RMB8,194,995 – RMB8,626,310)	–	1

9 OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Exchange differences – on translation of financial statements of the Company and overseas subsidiaries	(130,449)	13,383
Share of other comprehensive income of associates and a joint venture	(155,695)	48,960
Equity investments at FVTOCI: net movement in fair value reserves (non-recycling)	–	243,697
Other comprehensive income	(286,144)	306,040

There is no tax effect for each of the other comprehensive income items.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

10 BASIC LOSS PER SHARE

(a) Loss attributable to ordinary shareholders of the Company

	2022 RMB'000	2021 RMB'000
Loss attributable to equity holders of the Company	(1,912,536)	(883,252)
Less: profit attributable to the holders of perpetual capital securities *(note 28(d))*	(245,387)	(228,725)
Loss attributable to ordinary shareholders	(2,157,923)	(1,111,977)

(b) Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued ordinary shares	748,366	748,366

No dilutive loss per share is presented as there were no dilutive potential ordinary shares in issue during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:										
At 1 January 2021	905,042	53,708	43,900	5,112	117,854	13,361	1,138,977	2,632,602	1,288,624	5,060,203
Exchange adjustments	–	(282)	–	–	(67)	–	(349)	(6,987)	–	(7,336)
Additions	–	22,527	1,320	817	18,533	41,895	85,092	–	–	85,092
Disposals	–	(37,487)	–	(1,072)	(2)	–	(38,561)	(3,791)	–	(42,352)
At 31 December 2021 and 1 January 2022	905,042	38,466	45,220	4,857	136,318	55,256	1,185,159	2,621,824	1,288,624	5,095,607
Exchange adjustments	–	1,821	–	–	217	–	2,038	21,992	–	24,030
Additions	–	–	1,700	285	11,539	192,471	205,995	–	–	205,995
Transfer to assets of disposal group classified as held for sale	–	–	–	–	–	–	–	(2,088,953)	–	(2,088,953)
Disposals	(35)	(1,838)	–	–	(399)	–	(2,272)	–	–	(2,272)
At 31 December 2022	905,007	38,449	46,920	5,142	147,675	247,727	1,390,920	554,863	1,288,624	3,234,407
Accumulated depreciation:										
At 1 January 2021	34,822	30,034	40,671	3,318	48,411	–	157,256	144,634	60,583	362,473
Exchange adjustments	–	37	–	–	(54)	–	(17)	(841)	–	(858)
Charge for the year	28,614	16,025	2,917	564	32,026	–	80,146	69,414	40,961	190,521
Written back on disposals	–	(37,487)	–	(1,072)	(1)	–	(38,560)	(355)	–	(38,915)
At 31 December 2021 and 1 January 2022	63,436	8,609	43,588	2,810	80,382	–	198,825	212,852	101,544	513,221
Exchange adjustments	–	499	–	–	204	–	703	3,050	–	3,753
Charge for the year	28,613	13,189	2,994	758	29,826	–	75,380	65,121	38,581	179,082
Transfer to assets of disposal group classified as held for sale	–	–	–	–	–	–	–	(151,231)	–	(151,231)
Written back on disposals	(23)	(1,485)	–	–	(389)	–	(1,897)	–	–	(1,897)
At 31 December 2022	92,026	20,812	46,582	3,568	110,023	–	273,011	129,792	140,125	542,928
Carrying amount:										
At 31 December 2022	812,981	17,637	338	1,574	37,652	247,727	1,117,909	425,071	1,148,499	2,691,479
At 31 December 2021	841,606	29,857	1,632	2,047	55,936	55,256	986,334	2,408,972	1,187,080	4,582,386

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 RMB'000	2021 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	**1,148,499**	1,202,752
Other properties leased for own use, carried at depreciated cost	**17,637**	29,857
Investment property, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	**54,810**	1,236,842
Included in "Assets of disposal group classified as held for sale"	**1,152,546**	–
Included in "Inventories and other contract costs":		
Properties held for future development and under development for sale	**5,350,885**	3,131,403
Completed properties for sale	**1,031,223**	2,034,607
	6,382,108	5,166,010
	8,755,600	7,635,461

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Ownership interests in leasehold land	**38,581**	40,961
Other properties leased for own use	**13,189**	16,025
Investment property	**29,486**	31,975
	81,256	88,961
Interest on lease liabilities *(note 5(a))*	**661**	752
Expense relating to short-term leases or low-value leases	**1,098**	633

Note: During the year, additions to right-of-use assets were RMB2,381,317,000 (2021: RMB539,697,000), including the purchase of a leasehold land of RMB2,381,317,000 (2021: RMB517,170,000).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 25, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(c) Ownership interests in leasehold land and buildings held for own use

The Group owns several buildings for its hotel business and office. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(d) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assessed at lease commencement date that it will not exercise the extension options, and the future lease payments during the extension periods are not included in the measurement of lease liabilities.

(e) Investment properties

(i) The Group leases out investment properties. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	24,729	85,663
After 1 year but within 2 years	24,754	32,488
After 2 years but within 3 years	19,714	29,076
After 3 years but within 4 years	6,504	20,983
After 4 years but within 5 years	942	6,111
	76,643	174,321

(ii) As at 31 December 2022, the fair value of the investment properties held by the Group amounted to RMB633,010,000 (2021: RMB2,797,101,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

12 INTANGIBLE ASSETS

	Software and copyright RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2021	6,130	56,000	62,130
Additions	63	–	63
At 31 December 2021, 1 January 2022 and 31 December 2022	6,193	56,000	62,193
Accumulated amortisation:			
At 1 January 2021	3,428	16,000	19,428
Charge for the year	1,126	8,000	9,126
At 31 December 2021 and 1 January 2022	4,554	24,000	28,554
Charge for the year	1,122	8,000	9,122
At 31 December 2022	5,676	32,000	37,676
Carrying amount:			
At 31 December 2022	517	24,000	24,517
At 31 December 2021	1,639	32,000	33,639

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳華僑城港亞控股發展有限公司 (Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd.) *(notes (i) & (ii) & (iii))*	The People's Republic of China ("PRC")	HK$180,000,000	HK$180,000,000	100%	–	100%	Consulting and management of corporation
深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB3,000,000	RMB3,000,000	100%	–	100%	Investment management
惠州華力包裝有限公司 (Huizhou Huali Packaging Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	HK$168,000,000	HK$168,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
華昌國際有限公司 (City Legend International Limited)	Hong Kong	1 share	1 share	100%	–	100%	Investment holding
華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) ("OCT Shanghai Land") *(notes (ii) & (iii) & (iv))*	PRC	RMB3,030,000,000	RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 (Shenzhen Huajing Investment Limited) *(notes (ii) & (iii))*	PRC	RMB1,000,000	RMB1,000,000	100%	–	100%	Investment holding and real estate development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES *(continued)*

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii) & (iii))*	PRC	RMB30,000,000	RMB20,000,000	100%	–	100%	Investment management
華僑城(常熟)實業發展有限公司 (OCT (Changshu) Industry Development Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	US$27,800,000	US$27,800,000	100%	–	100%	Development of self-owned land industrial parks and property management
華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) *(notes (i) & (ii) & (iii))*	PRC	US$200,000,000	US$37,741,382.95	100%	100%	–	Finance lease
華僑城(常熟)投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB1,000,000,000	RMB133,000,000	100%	–	100%	Tourism and real estate development
上海首馳企業管理有限公司 (Shanghai Shouchi Enterprise Management Ltd.) ("Shanghai Shouchi") *(notes (ii) & (iii))*	PRC	RMB1,000,000	RMB1,000,000	50.5%	–	50.5%	Enterprise management
合肥華僑城環巢文旅置業發展有限公司 (Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB400,000,000	RMB400,000,000	51%	–	51%	Tourism and real estate development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳華僑城港華投資控股有限公司 (Shenzhen OCT Ganghua Investment Holdings Co., Ltd.) *(notes (i) & (ii))*	PRC	HK$4,000,000,000	HK$3,070,000,000	100%	–	100%	Consulting and management of corporation
合肥華僑城實業發展有限公司 (Hefei OCT Industry Development Co., Ltd.) ("Hefei OCT") *(notes (ii) & (iii))*	PRC	RMB10,000,000,000	RMB3,000,000,000	51%	–	51%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The Company is a sino-foreign joint venture with limited liability established in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	OCT Shanghai Land		Hefei OCT	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal place of business	**PRC**		**PRC**	
NCI percentage	**49.5%**	49.5%	**49.0%**	49.0%
Current assets	**4,585,056**	4,613,040	**8,239,963**	9,226,736
Non-current assets	**3,820,287**	3,891,934	**109,135**	110,774
Current liabilities	**(988,646)**	(2,959,504)	**(4,661,565)**	(6,246,121)
Non-current liabilities	**(3,455,216)**	(1,333,383)	**(266,002)**	(1,734)
Net assets attributable to equity holders	**3,961,481**	4,212,087	**3,421,531**	3,089,655
Carrying amount of NCI	**1,960,934**	2,084,983	**1,676,550**	1,513,931
Revenue	**236,329**	519,810	**2,795,998**	884,137
(Loss)/profit for the year attributable to equity holders	**(250,606)**	(99,414)	**331,876**	85,857
Total comprehensive income attributable to equity holders	**(250,606)**	(99,414)	**331,876**	85,857
(Loss)/profit allocated to NCI	**(124,049)**	(49,210)	**162,619**	42,070
Cash flows from operating activities	**(124,641)**	(70,158)	**(1,244,353)**	(1,739,531)
Cash flows from investing activities	**8,722**	82,248	**(705)**	(775)
Cash flows from financing activities	**(8,811)**	(144,702)	**247,985**	2,110,664

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

14 INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Listed investments *(notes 1&2)*		
– Share of net assets	**1,163,125**	2,598,075
– Impairment	**(600,000)**	(600,000)
– Goodwill	**246,911**	313,438
	810,036	2,311,513
Unlisted investments		
– Share of net assets	**1,313,315**	1,209,353
– Goodwill	**1,360**	86,301
	1,314,675	1,295,654
	2,124,711	3,607,167

Note 1: As at 31 December 2022, the fair value of interests in associates which shares are listed amounted to RMB581,189,000 (2021: RMB698,241,000).

Note 2: As at 31 December 2022, a prolonged and significant dropping in fair value of two listed associates and their deteriorating financial performance and potential financial difficulties as a result of the current volatile real estate market in Mainland China constituted an indication of impairment.

The associate is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and value in use ("VIU"). For the purpose of impairment testing, the directors re-assessed the recoverable amount of these associates with reference to their value-in-use with reference of the valuation reports prepared by external valuers or their fair value of listed shares less costs of disposal.

For Yuzhou Group Holdings Company Limited ("Yuzhou"), the VIU is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by this associate. The key assumptions for the VIU calculation mainly include the discount rates and the expected long-term growth rates. The directors estimated discount rates using after-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the respective associate. The discount rate and long-term growth rate adopted in the VIU calculation of Yuzhou were 18% (2021: 18%) and 0% (2021: 0%) respectively.

As a result of the assessments, the recoverable amount of Yuzhou amounted to RMB364,170,000 (2021: RMB1,570,638,000) which represents the higher of its fair value less costs of disposal and its VIU, exceeds its carrying amount as at 31 December 2022 by approximately RMB243,975,000.

For the year ended 31 December 2022, the Group recognised an impairment loss amounting to RMB139,254,000 against its interest in E-House (China) Enterprise Holdings Limited ("E-house") based on the best estimates made by the directors of the Company, which was arrived at with reference to the quoted price of E-House's listed shares on 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

14 INTERESTS IN ASSOCIATES *(continued)*

Details of the Group's individually material associates at 31 December 2022 are as follows:

			Proportion of ownership interest 2022 and 2021			
Name of associate	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary/ subsidiaries	Principal Activities
Capital Converge Holdings Limited ("Capital Converge")	BVI	100 shares of US$1 each	49%	49%	–	Investment holding
民生教育集團有限公司 (Minsheng Education Group Company Limited) ("Minsheng Education")	Cayman Islands	4,017,720,000 shares of US$0.00001 each	7.8716%	–	7.8716%	Education services
禹洲集團控股有限公司 (Yuzhou Group Holdings Company Limited) ("Yuzhou Group")	Cayman Islands	6,543,909,500 shares of HK$0.1 each	9.9440%	–	9.9440%	Property development
中山禹鴻房地產開發有限公司 Zhongshan Yuhong Real Estate Development Limited ("Zhongshan Yuhong")	PRC	RMB500,000,000	21%	–	21%	Property development

The Group has assigned a director in the board of the associates, which makes significant influence on these associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

14 INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Name	Capital Converge		Minsheng Education		Yuzhou Group		Zhongshan Yuhong	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Group's effective interest	49%	49%	7.8716%	7.8716%	9.9440%	9.9440%	21%	21%
At 31 December:								
Current assets	2,226,844	3,000,194	5,085,034	4,060,549	114,472,785	146,401,111	2,454,860	3,017,668
Non-current assets	96,808	96,808	7,041,509	7,489,314	26,242,657	29,163,432	44,286	31,554
Current liabilities	(766,755)	(1,780,612)	(4,509,206)	(3,389,410)	(106,854,158)	(90,244,255)	(740,001)	(1,189,632)
Non-current liabilities	(250,111)	(121,269)	(2,410,259)	(3,330,332)	(11,605,040)	(46,874,560)	(660,931)	(1,031,431)
Perpetual bond	–	–	–	–	(1,911,986)	(1,911,986)	–	–
NCI	–	–	(221,031)	(197,230)	(13,101,744)	(14,705,119)	–	–
Equity attributable to shareholders	1,306,786	1,195,121	4,986,047	4,632,891	7,242,514	21,828,623	1,098,214	828,159
Group's share of net assets of the associate	640,325	585,609	392,482	364,683	720,195	2,170,638	230,625	173,913
Goodwill	–	–	132,137	132,137	–	–	1,360	1,360
Provision of impairment	–	–	–	–	(600,000)	(600,000)	–	–
Carrying amount in the consolidated financial statements	640,325	585,609	524,619	496,820	120,195	1,570,638	231,985	175,273

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

14 INTERESTS IN ASSOCIATES *(continued)*

Name	Capital Converge		Minsheng Education		Yuzhou Group		Zhongshan Yuhong	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividend receivable/received from the associate	-	–	15,777	2,987	-	127,482*	-	–
Revenue	534,455	1,142,901	2,353,965	2,394,012	26,737,240	27,071,240	1,446,478	1,747,777
Profit/(loss) for the year	83,206	168,025	561,677	635,195	(12,903,103)	(91,227)	270,055	390,452
Other comprehensive income	28,459	(21,420)	(8,092)	–	(1,683,006)	575,665	-	–
Total comprehensive income	111,665	146,605	553,585	635,195	(14,586,109)	484,438	270,055	390,452
Group's share of profit/(loss) for the year	40,771	82,332	44,213	50,000	(1,283,085)	(9,072)	56,712	81,995
Group's share of other comprehensive income	13,945	(10,496)	(637)	–	(167,358)	57,244	-	–
Group's share of total comprehensive income	54,716	71,836	43,576	50,000	(1,450,443)	48,172	56,712	81,995

* No dividend was converted into shares of Yuzhou Group under the script dividend scheme (2021: RMB127,482,000).

Aggregate information of associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	607,587	778,827
Aggregate amounts of the Group's share of those associates'		
Loss for the year	(28,343)	(352,288)
Other comprehensive income	(59)	(155)
Total comprehensive income	(28,402)	(352,443)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

15 INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Unlisted investments:		
– Share of net assets	706,395	1,137,901

Details of the Group's interests in the joint ventures at 31 December 2022 are as follows:

				Proportion of ownership interest			
				2022 and 2021			
Name of joint venture	Place of incorporation and business	Issued capital	Paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
廈門僑潤投資合夥企業(有限合夥) (Xiamen Qiaorun Investment Partnership (Limited Partnership)) ("Xiamen Qiaorun")	PRC	Issued capital of RMB800,020,000	Paid-up capital of RMB426,310,600	75.00%	–	75.00%	Investment Holding
深圳僑恒一號投資企業(有限合夥) (Shenzhen Qiaoheng No.1 Investment Partnership (Limited Partnership)) ("Shenzhen Qiaoheng")	PRC	Issued capital of RMB959,000,000	Paid-up capital of RMB661,400,000	75.00%	–	75.00%	Investment Holding
HNW Investment Fund Series SPC – Serica SP ("Cayman Fund")	Cayman Islands	Issued capital of HKD850,000,000	Paid-up capital of HKD850,000,000	49.00%	49.00%	–	Investment Holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

15 INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed as follows:

Name	Xiamen Qiaorun		Shenzhen Qiaoheng		Cayman Fund	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Group's effective interest	75%	75%	75%	75%	49%	49%
Current assets	300,679	421,435	–	604	243,697	256,955
Non-current assets	233,370	3,398	80,189	663,994	1,380,852	1,436,554
Current liabilities	–	–	–	–	(51,163)	(57,641)
Non-current liabilities	–	–	–	–	(1,071,924)	(981,120)
Equity attributable to shareholders	534,049	424,833	80,189	664,598	501,462	654,748
Group's share of net assets of the joint venture	400,537	318,625	60,142	498,449	245,716	320,827
Carrying amount in the consolidated financial statements	400,537	318,625	60,142	498,449	245,716	320,827
Included in the above assets and liabilities:						
Cash and cash equivalents	19,849	33	–	604	213,859	222,235
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	(1,071,924)	(981,120)
Dividend received from the joint venture	–	–	–	–	25,869	24,870
Revenue	–	–	–	–	89,929	88,608
Profit/(loss) for the year	109,216	(1,480)	(584,409)	3,198	(97,258)	(14,725)
Other comprehensive income	–	–	–	–	(3,236)	4,834
Total comprehensive income	109,216	(1,480)	(584,409)	3,198	(100,494)	(9,891)
Group's share of profit/(loss)	81,912	(1,110)	(438,307)	2,399	(47,656)	(7,215)
Group's share of other comprehensive income	–	–	–	–	(1,586)	2,369
Group's share of total comprehensive income	81,912	(1,110)	(438,307)	2,399	(49,242)	(4,846)
Included in the above profit:						
Depreciation and amortisation	–	–	–	–	54,342	55,998
Interest income	3	27	2	4	1,627	1,165
Interest expense	–	–	–	–	31,069	29,856
Income tax expense	–	–	–	–	–	8,977

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

16 OTHER FINANCIAL ASSETS

	2022 RMB'000	2021 RMB'000
Financial assets measured at FVTPL		
– Unlisted equity securities	353,098	309,638

Note: No dividends were received on these investments during the year (2021: Nil).

17 FINANCE LEASE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Finance lease receivables	–	221,516
Less: due within one year	–	(98,928)
	–	122,588

18 INVENTORIES AND OTHER CONTRACT COSTS

	2022 RMB'000	2021 RMB'000
Comprehensive development business		
Properties held for future development and under development for sale	10,374,752	5,946,200
Completed properties held for sale	2,121,499	4,343,022
Other inventories	3,633	3,681
	12,499,884	10,292,903
Other contract costs	12,572	7,037
	12,512,456	10,299,940

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

18 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

(a) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2022 RMB'000	2021 RMB'000
In Mainland China		
– medium-term leases (between 10 and 50 years)	4,899,672	4,717,151
– long leases (over 50 years)	7,596,579	5,572,071
	12,496,251	10,289,222

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	2,127,412	935,640
Write down of inventories	216,627	–
	2,344,039	935,640

The amount of completed properties held for sale, properties held for future development and under development for sale expected to be recovered after more than one year is RMB10,881,679,000 (2021: RMB7,124,635,000). All of the other inventories are expected to be recovered within one year.

(c) Contract costs

Contract costs capitalised as at 31 December 2022 and 2021 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB6,810,000 (2021: RMB1,572,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2021: Nil).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs expected to be recovered after more than one year is RMB905,000 (2021: RMB2,380,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

19 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Comprehensive development business	1,609,712	3,407,258

The Group receives deposits and sale proceeds from customers after they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and transferred control to the customers.

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	3,407,258	1,459,276
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,564,656)	(670,820)
Increase in contract liabilities as a result of receiving deposits and sale proceeds in respect of properties still under construction as at 31 December	767,110	2,618,802
Balance at 31 December	1,609,712	3,407,258

The amount of forward sales deposits received expected to be recognised as income after more than one year is RMB214,818,000 (2021: RMB23,015,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

20 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivable		
– Amounts due from third parties	5,292	6,626
Less: loss allowance *(note 29(a))*	(294)	(320)
	4,998	6,306
Other receivables *(note (i))*:		
– Amounts due from associates	14,478	13,690
– Amount due from an intermediate parent	1,094	1,094
– Amounts due from fellow subsidiaries	2,648	10,467
– Amounts due from third parties	36,779	62,016
	54,999	87,267
Less: loss allowance	(55)	(53)
	54,944	87,214
Financial assets measured at amortised cost	59,942	93,520
Prepaid taxes *(note (ii))*	275,919	302,372
Prepayment for land use rights	–	2,311,958
Deposits and other prepayments	19,463	15,309
	355,324	2,723,159

Notes:

(i) Except for amounts of RMB4,377,000 (2021: RMB4,006,000) which are interest-bearing at 2.5% (2021: 2.5%) per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

(ii) As at 31 December 2022, the prepaid taxes include CIT amounting to RMB11,903,000 (2021: RMB32,817,000) and LAT amounting to RMB62,593,000 (2021: RMB32,625,000).

(iii) As at 31 December 2022, all of the trade and other receivables, and deposits are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

20 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtor's receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	4,998	6,306

Further details on the Group's credit policy are set out in note 29(a).

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand represents:

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	1,039,455	2,249,050
Property pre-sale proceeds *(note)*	875,684	1,082,612
Cash at bank and on hand on the consolidated statement of financial position	1,915,139	3,331,662
Less: restricted cash for REIT programme	–	(5,145)
Cash and cash equivalents on the consolidated cash flow statement	1,915,139	3,326,517

Note: In accordance with the relevant laws and regulations governing the pre-sale of residential properties in Mainland China, prepayments by customers are held by the local authorities and the relevant banks. The amounts can be released to the Group for meeting certain prescribed costs associated with the property development or if certain conditions are fulfilled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Expressed in Renminbi)

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	2022 RMB'000	2021 RMB'000
Loss before taxation		(1,888,740)	(842,156)
Adjustments for:			
Depreciation and amortisation	5(c)	184,115	195,558
Interest income	4(a)	(38,032)	(44,191)
Finance costs	5(a)	140,357	149,216
Net loss/(gain) on disposal of property, plant and equipment	4(b)	4	(1,516)
Net fair value gain on unlisted equity securities	4(b)	(56,351)	(38,700)
Share of profits less losses of associates		1,169,732	147,032
Share of profits less losses of joint ventures		404,051	(88,742)
Impairment losses on associates		139,254	750,000
Gain on disposal of investment properties	4(b)	–	(52,144)
Reversals of impairment losses on finance lease receivables and trade and other receivables	4(b)	(3,508)	(1,051)
Changes in working capital:			
Increase in inventories and other contract costs		(2,027,481)	(1,866,407)
Decrease/(increase) in trade and other receivables		2,496,074	(2,574,015)
Decrease in finance lease receivables		225,000	140,004
Increase in trade and other payables		479,768	667,659
(Decrease)/increase in contract liabilities		(1,797,546)	1,703,331
Cash used in operations		(573,303)	(1,756,122)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	6,606,008	2,222,060	24,595	8,852,663
Changes from financing cash flows:				
Proceeds from new loans	1,200,099	1,138,000	–	2,338,099
Repayment of loans	(1,975,512)	(1,026,131)	–	(3,001,643)
Capital element of lease rentals paid	–	–	(16,974)	(16,974)
Total changes from financing cash flows	(775,413)	111,869	(16,974)	(680,518)
Exchange adjustments	(83,235)	(2,929)	(245)	(86,409)
Other change:				
Increase in lease liabilities from entering into new leases during the year	–	–	22,846	22,846
Total change from other change	–	–	22,846	22,846
At 31 December 2021 and 1 January 2022	5,747,360	2,331,000	30,222	8,108,582
Changes from financing cash flows:				
Proceeds from new loans	4,235,448	993,000	–	5,228,448
Repayment of loans	(4,095,961)	(1,208,000)	–	(5,303,961)
Capital element of lease rentals paid	–	–	(13,163)	(13,163)
Total changes from financing cash flows	139,487	(215,000)	(13,163)	(88,676)
Exchange adjustments	241,456	–	1,329	242,785
Other change:				
Transfer to liabilities of disposal group classified as held for sale	(1,395,000)	–	–	(1,395,000)
Decrease in lease liabilities due to lease termination during the year	–	–	(371)	(371)
Total changes from other change	(1,395,000)	–	(371)	(1,395,371)
At 31 December 2022	4,733,303	2,116,000	18,017	6,867,320

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	71,118	2,313,343
Within financing cash flows	13,163	16,974
	84,281	2,330,317

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	14,922	18,359
Paid for leasehold land	69,359	2,311,958
	84,281	2,330,317

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

22 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 11 November 2022, the Group proceeded with public tender of disposal of 51% equity interests in Shanghai Shouchi on China Beijing Equity Exchange. Accordingly, all the identifiable assets and liabilities of Shanghai Shouchi are reclassified as assets and liabilities of disposal group classified as held for sale.

(a) Assets of disposal group classified as held for sale:

	2022 RMB'000
Cash and cash equivalents	6,873
Investment properties	1,937,722
	1,944,595

(b) Liabilities directly associated with assets of disposal group classified as held for sale:

	2022 RMB'000
Trade and other payables	1,556
Bank and other loan *(note)*	1,395,000
Current taxation	3,312
	1,399,868

Note: The bank and other loan was secured by the investment properties in the assets of disposal group.

The assets of disposal group excluded an amount of RMB1,006,000 due to the Group which was eliminated in consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

23 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade creditors:		
– Amounts due to fellow subsidiaries	9,231	–
– Amounts due to third parties	862,107	646,423
	871,338	646,423
Other payables and accruals:		
– Amounts due to associates	219,463	221,443
– Amounts due to fellow subsidiaries	346,834	346,453
– Amounts due to intermediate parents	391,214	–
– Amounts due to third parties	530,261	620,781
	1,487,772	1,188,677
Interest payables:		
– Amount due to an associate	36,662	18,331
– Amount due to an intermediate parent	41,455	53,619
– Amounts due to fellow subsidiaries	380	71
– Amounts due to non-controlling interests	141,474	76,110
– Amounts due to third parties	7,524	26,023
	227,495	174,154
Financial liabilities measured at amortised cost	2,586,605	2,009,254
Deposits *(note)*	102,902	92,435
	2,689,507	2,101,689

Note: As at 31 December 2022, except for the deposit of RMB3,011,000 (2021: RMB45,253,000) which is expected to be settled after one year, the remaining deposit, other payables and accrued expenses are expected to be settled within one year.

As at 31 December 2022, the deposit of disposal of Shanghai Shouchi amounted to RMB60,000,000 (2021: Nil).

As at 31 December 2021, the deposit payable to fellow subsidiaries amounted to RMB12,000,000.

Ageing analysis

As at 31 December 2022, the ageing analysis of trade creditors payable, based on the invoice date, are as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	853,066	641,786
1 to 2 years	16,011	2,391
2 to 3 years	15	2,083
Over 3 years	2,246	163
	871,338	646,423

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

24 LOANS

(a) At 31 December, the loans are repayable as follows:

		2022 RMB'000	2021 RMB'000
(i)	Bank and other loans		
	Within 1 year or on demand	2,578,088	1,387,278
	After 1 year but within 2 years	168,470	832,317
	After 2 years but within 5 years	1,322,175	660,500
	After 5 years	664,570	932,265
		2,155,215	2,425,082
		4,733,303	3,812,360
(ii)	Related party loans		
	Within 1 year or on demand	451,400	421,400
	After 1 year but within 2 years	–	420,000
	After 2 years but within 5 years	175,000	–
		626,400	841,400
(iii)	Loans from non-controlling interests		
	Within 1 year or on demand	1,489,600	1,489,600
(iv)	Loan in respect of REIT programme		
	Within 1 year or on demand	–	1,935,000
		6,849,303	8,078,360

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

24 LOANS *(continued)*

(a) At 31 December, the loans are repayable as follows: *(continued)*

On 30 November 2019, OCT Shanghai Land, a subsidiary of the Group, participated in a real estate investment trust (the "REIT") programme in the Shenzhen Stock Exchange. The funds raised under the REIT programme totals RMB2,150,000,000, consist of preferential asset-backed securities amounted to RMB1,935,000,000 from qualified investors other than the Group who enjoy a fixed return of income from the REIT of 4.24% per annum, and secondary asset-backed securities amounted to RMB215,000,000 subscribed by the Group which entitle the Group to receive any residual income from the REIT.

As the underlying investment properties did not meet the criteria of de-recognition, the Group did not de-recognise the investment properties, and the net proceeds of RMB1,935,000,000 received from the preferential asset-backed securities holders were treated as financial liabilities of the Group. The secondary asset-back securities invested by the Group was eliminated upon consolidation.

During the year, the Group redeemed the preferential asset-backed securities amounted to RMB1,935,000,000 from external investors.

The applicable interest rates at 31 December were as follows:

	2022	2021
Bank loans	**3.30% to 1 month HIBOR + 1.60%**	1 month HIBOR + 1.15% to 4.75%
Related party loans	**4.35% to 4.37%**	4.35% to 4.37%
Loans from non-controlling interests	**4.00% to 9.00%**	4.75% to 9.00%
Loan in respect of REIT programme	**N/A**	4.24%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

24 LOANS *(continued)*

(b) Details of the loans are analysed as follows:

	2022 RMB'000	2021 RMB'000
Current		
Secured		
– Bank and other loans	10,000	42,735
Guaranteed		
– Bank and other loans	1,634,174	878,511
Unsecured		
– Bank and other loans	933,914	466,032
– Related party loans	451,400	421,400
– Loan from non-controlling interests	1,489,600	1,489,600
	2,874,914	2,377,032
Loan in respect of REIT programme	–	1,935,000
	4,519,088	5,233,278
Non-current		
Secured		
– Bank and other loans	1,220,000	932,265
Guaranteed		
– Bank and other loans	935,215	1,298,228
Unsecured		
– Bank and other loans	–	194,589
– Related party loans	175,000	420,000
	175,000	614,589
	2,330,215	2,845,082
	6,849,303	8,078,360

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

24 LOANS *(continued)*

(b) Details of the loans are analysed as follows: *(continued)*

At 31 December, guaranteed bank loans are guaranteed by related parties as follows:

	2022 RMB'000	2021 RMB'000
Shenzhen Overseas Chinese Town Co., Ltd. ("OCT Ltd.")	1,265,215	660,500
Overseas Chinese Town (HK) Co., Ltd. ("OCT (HK)")	1,304,174	1,516,239
	2,569,389	2,176,739

(c) The secured loans are secured by the following assets:

	2022 RMB'000	2021 RMB'000
Ownership interests in buildings held for own use	793,008	821,845
Interests in leasehold land held for own use	963,132	906,818
Ownership interests in leasehold land included in "Inventories and other contract cost"	675,321	–
Construction in progress	187,248	–
	2,618,709	1,728,663

(d) Details of loans from related parties are as follows:

	2022 RMB'000	2021 RMB'000
Current		
– Loan from an associate	421,400	421,400
– Loan from an intermediate parent	30,000	–
– Loans from non-controlling interests	1,489,600	1,489,600
	1,941,000	1,911,000
Non-current		
– Loans from an intermediate parent	175,000	420,000
	2,116,000	2,331,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of reporting periods:

	2022		2021	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	11,734	11,930	13,404	13,622
After 1 year but within 2 years	5,686	5,864	11,053	11,459
After 2 years but within 5 years	597	660	5,765	6,162
	6,283	6,524	16,818	17,621
	18,017	18,454	30,222	31,243
Less: total future interest expenses		(437)		(1,021)
Present value of lease liabilities		18,017		30,222

26 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Huizhou, Shanghai, Hefei and Changshu where the Group is required to make contributions to the Schemes at a rate ranging from 14% to 16% (2021: 14% to 16%) of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Expressed in Renminbi)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2022 RMB'000	2021 RMB'000
PRC CIT	23,469	34,289
PRC LAT	124,377	124,488
	147,846	158,777

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Credit loss allowance RMB'000	Accrued expenses RMB'000	Tax loss RMB'000	Advertising expense RMB'000	Interest capitalised RMB'000	Undistributed profits RMB'000	Fair value adjustment from business combinations RMB'000	Fair value change of other financial assets RMB'000	Total RMB'000
Deferred tax arising from:									
At 1 January 2021	1,232	55,941	23,112	753	(4,407)	(23,497)	(133,875)	(1,951)	(82,692)
(Charged)/credited to profit or loss	(275)	(2,526)	21,624	301	–	(373)	2,356	(9,675)	11,432
At 31 December 2021 and 1 January 2022	957	53,415	44,736	1,054	(4,407)	(23,870)	(131,519)	(11,626)	(71,260)
(Charged)/credited to profit or loss	(877)	(7,375)	61,876	(1,054)	–	–	–	(14,088)	38,482
At 31 December 2022	80	46,040	106,612	–	(4,407)	(23,870)	(131,519)	(25,714)	(32,778)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**148,325**	95,755
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(181,103)**	(167,015)
	(32,778)	(71,260)

(c) Deferred tax liabilities not recognised

As set out in note 6(a), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2022, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB997,951,000 (2021: RMB796,000,000). Deferred tax liabilities of RMB49,898,000 (2021: RMB39,800,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB381,326,000 (2021: RMB261,637,000) and other temporary differences of RMB223,470,000 (2021: Nil) as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	33	67,337	36,884	248,970	32,449	5,610,431	(764,252)	(26,481)	2,403,458	7,608,796
Changes in equity for 2021:										
Total comprehensive income for the year		–	–	–	–	228,725	(172,608)	–	(203,473)	(147,356)
Distribution to the holders of perpetual capital securities		–	–	–	–	(232,676)	–	–	–	(232,676)
Balance at 31 December 2021 and 1 January 2022	33	67,337	36,884	248,970	32,449	5,606,480	(936,860)	(26,481)	2,199,985	7,228,764
Changes in equity for 2022:										
Total comprehensive income for the year		–	–	–	–	245,387	472,257	–	(319,153)	398,491
Distribution to the holders of perpetual capital securities		–	–	–	–	(236,553)	–	–	–	(236,553)
Balance at 31 December 2022	33	67,337	36,884	248,970	32,449	5,615,314	(464,603)	(26,481)	1,880,832	7,390,702

(b) Dividends

No dividend was approved and paid to equity shareholders of the Company during the year attributable to the previous financial year (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

Authorised and issued share capital

Authorised:

	2022		2021	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	2,000,000	200,000	2,000,000	200,000

Issued and fully paid:

	2022		2021	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000
At 1 January and 31 December	748,366	67,337	748,366	67,337

(d) Perpetual capital securities

On 15 July 2020, the Company issued senior guaranteed perpetual capital securities with a principal amount of US$500,000,000 (equivalent to RMB3,468,150,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 15 July 2020, payable semi-annually on 15 July and 15 January of each year. After 15 July 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.312%, (b) the Treasury Rate and (c) a margin of 4% per annum.

On 25 August 2020, the Company issued another senior guaranteed perpetual capital securities with a principal amount of US$300,000,000 (equivalent to RMB2,052,900,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 25 August 2020, payable semi-annually on 15 February and 15 August of each year. After 25 August 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.343%, (b) the Treasury Rate and (c) a margin of 4% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Perpetual capital securities *(continued)*

The securities are unconditionally and irrevocably guaranteed by Overseas Chinese Town Enterprises Limited Company.

The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

(ii) Capital reserve

Capital reserve comprises the following:

- difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and
- the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(u)(ii) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(y) to the consolidated financial statements.

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

(vi) Other reserves

Other reserves mainly include enterprise expansion fund and securities issue fee.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

The difference between the redemption price and the principal of the redeemed perpetual capital securities which mainly attributable securities issue fee was debited to other reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including loans divided by total assets.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain the gearing ratio at a level of industry average. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's gearing ratio at 31 December was as follows:

	2022 RMB'000	2021 RMB'000
Total borrowings	6,849,303	8,078,360
Total assets	22,776,039	26,342,763
Gearing ratio	30.1%	30.7%

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In respect of trade receivables, the Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables are normally due within 60–120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In order to minimise the credit risk related to the sales of properties, the Group will not deliver the properties to customers until all proceeds are received.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

For other receivables, regular review and follow-up actions are carried out on long-aged other receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

For lease receivables, the Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

The Group measures loss allowances for trade receivables and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2022		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**1.46%**	**5,072**	**74**
Over 3 years past due	**100%**	**220**	**220**
		5,292	**294**

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.56%	6,406	100
Over 3 years past due	100%	220	220
		6,626	320

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

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

Movement in the loss allowance account in respect of trade and receivables during the year is as follows:

	2022 RMB'000	2021 RMB'000
Balance at 1 January	320	228
Impairment loss recognised	–	92
Impairment loss reversed	(26)	–
Balance at 31 December	294	320

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The directors have taken into account the forecasts of operating performance, as well as the ability of the Group to renew bank loans, loans from related parties and non-controlling interests and the undrawn banks facilities in assessing the sufficiency of liquidity requirements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022						2021					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	2,689,507	–	–	–	2,689,507	2,689,507	2,101,689	–	–	–	2,101,689	2,101,689
Bank and other loans	2,741,171	247,286	1,455,815	796,686	5,240,958	4,733,303	3,470,893	905,584	797,145	1,012,497	6,186,119	5,747,360
Loans from related parties and non-controlling interests	1,987,363	24,841	179,744	–	2,191,948	2,116,000	1,959,029	448,802	–	–	2,407,831	2,331,000
Lease liabilities	11,930	5,864	660	–	18,454	18,017	13,622	11,459	6,162	–	31,243	30,222
	7,429,971	277,991	1,636,219	796,686	10,140,867	9,556,827	7,545,233	1,365,845	803,307	1,012,497	10,726,882	10,210,271

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and cash equivalent and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk. As at 31 December 2022, the Group's outstanding bank and other loans of RMB4,733,303,000 (2021: RMB3,812,360,000) are issued at variable rates.

Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB10,273,000 (2021: RMB7,610,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. In prior years, the currencies giving rise to this risk are primarily United States dollars ("USD") and HKD. Since the functional currency used in the Company was changed from RMB to HKD and HKD is pegged to USD, the Group would not exposed to currency risk in USD and HKD.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in RMB)	
	2022	2021
	RMB'000	RMB'000
Cash at bank and on hand	**8,208**	403,399
Inter-company receivables and payables within the Group	**367,883**	480,168
Trade and other receivables	**–**	463
Net exposure arising from recognised assets and liabilities	**376,091**	884,030

(ii) Sensitivity analysis

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. For inter-company balances eliminated on consolidation, the related foreign exchange gains or losses will not be eliminated, unless the receivables or payables form part of the Group's net investment in the subsidiaries. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% depreciation of USD/HKD against RMB, the Group's profit would be increased by RMB18,805,000 (2021: RMB44,201,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting periods for presentation purposes.

(e) Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

a. Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

The Group employed valuer to perform valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at the reporting date, and reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
– Unlisted equity securities	353,098	–	–	353,098

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
– Unlisted equity securities	309,638	–	–	309,638

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

b. Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Rate
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	22% – 38%

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB2,164,000 (2021: RMB1,789,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

b. Information about Level 3 fair value measurements *(continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2022 RMB'000	2021 RMB'000
Unlisted equity securities:		
At 1 January	309,638	274,818
Disposal	(12,891)	(3,880)
Changes in fair value recognised in profit or loss during the year	56,351	38,700
At 31 December	353,098	309,638
Total gain for the year included in profit or loss for assets held at the end of the reporting year	56,351	38,700

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2022.

30 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements are as follows:

	2022 RMB'000	2021 RMB'000
Contracted for:		
Inventories	4,325,154	3,760,297
Investment in an associate and joint ventures	783,475	783,475
	5,108,629	4,543,772

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

31 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2022, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB936,306,000 (2021: RMB498,005,000).

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
OCT Ltd.	Intermediate parent
OCT (HK)	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Innovation Research Institute Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Intelligent Technology (Shenzhen) Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary
Nanjing Overseas Chinese Town Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Travel Service Co., Ltd.	Fellow subsidiary
Chongqing OCT Land Co., Ltd.	Associate
Zhongshan Yuhong	Associate
Honour Ray Limited	Associate

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, major related party transactions entered by the Group during the year are as follows:

	2022 RMB'000	2021 RMB'000
Purchase of goods and services	86,764	34,204
Rental expense	4,355	4,597
Interest expense *(note)*	115,715	102,259
Interest income	132	1,649
Repayment of loans *(note)*	1,208,000	1,026,131
New borrowings *(note)*	993,000	1,138,000
Repayment from associates	–	200,921
Finance lease income	1,045	8,483
Finance lease received	120,000	80,000

Note: For the year ended 31 December 2022, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	9,717	16,088
Post-employment benefits	607	671
	10,324	16,759

Total remuneration is included in "staff costs" (see note 5(b)).

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 20, 23 and 24 to the consolidated financial statements.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in Renminbi)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	13,159	22,881
Investments in subsidiaries	666,515	681,565
Interest in an associate	371,033	379,412
Interest in a joint venture	342,803	350,543
	1,393,510	1,434,401
Current assets		
Other receivables	8,405,038	7,409,148
Cash at bank and on hand	50,985	709,314
	8,456,023	8,118,462
Current liabilities		
Other payables	517,893	130,235
Lease liabilities	7,214	6,664
Bank loans	1,929,463	1,344,543
	2,454,570	1,481,442
Net current assets	6,001,453	6,637,020
Total assets less current liabilities	7,394,963	8,071,421
Non-current liabilities		
Bank loans	–	832,317
Lease liabilities	4,261	10,340
	4,261	842,657
NET ASSETS	7,390,702	7,228,764
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,615,314	5,606,480
Reserves	1,708,051	1,554,947
TOTAL EQUITY	7,390,702	7,228,764

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Expressed in Renminbi)

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the immediate parent and the ultimate controlling party of the Group to be Pacific Climax Limited ("Pacific Climax") and OCT Group. Pacific Climax and OCT Group are incorporated in BVI and PRC respectively, which do not produce financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, Income taxes: *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

As of 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	3,072,451	1,474,128	1,306,550	2,071,903	1,584,694
Cost of sales	(2,750,134)	(1,169,981)	(990,072)	(1,306,174)	(1,026,106)
Gross profit	322,317	304,147	316,478	765,729	558,588
Other income	40,354	55,024	65,646	93,836	124,257
Other net (losses)/gains	(32,720)	118,265	465,514	221,979	368,930
Distribution costs	(80,171)	(89,033)	(97,768)	(103,200)	(124,736)
Administrative expenses	(285,126)	(273,053)	(352,270)	(403,405)	(334,304)
Other operating expenses	–	–	–	–	(459)
Profit from operations	(35,346)	115,350	397,600	574,939	592,276
Finance costs	(140,357)	(149,216)	(183,099)	(268,732)	(175,061)
Share of profits less losses of associates	(1,169,732)	(147,032)	(66,902)	306,063	418,994
Share of profits less losses of joint ventures	(404,051)	88,742	(939)	(8,150)	229,244
Impairment losses on associates	(139,254)	(750,000)	(70,000)	–	–
(Loss)/profit before taxation	(1,888,740)	(842,156)	76,660	604,120	1,065,453
Income tax	(107,322)	(56,952)	(101,093)	(354,514)	(206,898)
(Loss)/profit for the year from continuing operations	(1,996,062)	(899,108)	(24,433)	249,606	858,555
Discontinued operation					
Profit for the year from discontinued operation	–	–	–	–	68,272
(Loss)/profit for the year	(1,996,062)	(899,108)	(24,433)	249,606	926,827
Attributable to:					
Equity holders of the Company	(1,912,536)	(883,252)	63,757	266,961	798,702
Non-controlling interests	(83,526)	(15,856)	(88,190)	(17,355)	128,125
(Loss)/profit for the year	(1,996,062)	(899,108)	(24,433)	249,606	926,827
(Loss)/earning per share (RMB)					
Basic	(2.88)	(1.49)	(0.29)	0.04	0.77
Diluted	(2.88)	(1.49)	(0.29)	0.04	0.76

Five-Year Financial Summary

As of 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets					
Fixed assets	2,691,479	4,582,386	4,697,730	8,900,149	6,436,647
Intangible assets	24,517	33,639	42,702	52,922	6,273
Goodwill	–	–	–	570	570
Interests in associates	2,124,711	3,607,167	4,368,908	5,410,696	4,919,831
Interests in joint ventures	706,395	1,137,901	1,197,304	302,560	287,330
Other financial assets	353,098	309,638	1,141,530	1,618,292	1,437,525
Finance lease receivables	–	122,588	251,944	382,253	230,870
Trade and other receivables	–	–	–	1,623	2,476
Deferred tax assets	148,325	95,755	76,631	222,012	191,012
	6,048,525	9,889,074	11,776,749	16,891,077	13,512,534
Current assets					
Trading securities	–	–	–	118,480	–
Inventories and other contract costs	12,512,456	10,299,940	8,302,909	5,767,090	7,055,723
Finance lease receivables	–	98,928	108,679	117,206	65,342
Trade and other receivables	355,324	2,723,159	946,603	880,060	1,222,255
Cash at bank and on hand	1,915,139	3,331,662	4,274,938	2,681,489	3,222,953
	14,782,919	16,453,689	13,633,129	9,564,325	11,566,273
Assets of disposal group classified as held for sale	1,944,595	–	12,079	–	–
	16,727,514	16,453,689	13,645,208	9,564,325	11,566,273

Five-Year Financial Summary

As of 31 December

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Current liabilities					
Trade and other payables	2,689,507	2,101,689	1,554,090	2,875,136	2,657,446
Contract liabilities	1,609,712	3,407,258	1,459,276	512,781	143,949
Lease liabilities	11,734	13,404	13,330	26,489	–
Bank and other loans	2,578,088	3,322,278	573,899	2,099,413	4,979,886
Related party loans	1,941,000	1,911,000	862,400	913,400	2,037,700
Current taxation	147,846	158,777	169,570	791,848	748,884
	8,977,887	10,914,406	4,632,565	7,219,067	10,567,865
Liabilities directly associated with assets of disposal group classified as held for sale	1,399,868	–	1,849	–	–
	10,377,755	10,914,406	4,634,414	7,219,067	10,567,865
Net current assets	6,349,759	5,539,283	9,010,794	2,345,258	998,408
Total assets less current liabilities	12,398,284	15,428,357	20,787,543	19,236,335	14,510,942
Non-current liabilities					
Bank and other loans	2,155,215	2,425,082	6,032,109	6,016,264	1,410,771
Related party loans	175,000	420,000	1,359,660	59,350	–
Lease liabilities	6,283	16,818	11,265	52,341	–
Deferred tax liabilities	181,103	167,015	159,323	188,932	194,514
	2,517,601	3,028,915	7,562,357	6,316,887	1,605,285
NET ASSETS	9,880,683	12,399,442	13,225,186	12,919,448	12,905,657
Total equity attributable to equity holders of the Company	6,185,275	8,620,508	9,430,396	9,346,075	9,466,242
Non-controlling interests	3,695,408	3,778,934	3,794,790	3,573,373	3,439,415
TOTAL EQUITY	9,880,683	12,399,442	13,225,186	12,919,448	12,905,657