



TFG International Group Limited  
富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 542)

2022

Annual Report

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# Corporate Information

## EXECUTIVE DIRECTORS

YANG Lijun (*Chairman & Chief Executive Officer*)  
GAO Jingyao  
TAM Ka Wai  
(*appointed on 3 March 2023*)

## NON-EXECUTIVE DIRECTORS

WONG Kui Shing, Danny  
(*resigned on 3 March 2023*)  
WONG Yuk Lun, Alan  
(*appointed on 3 March 2023*)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Chu Hoi  
(*appointed on 3 March 2023*)  
CHAN Hoi Ling  
SO Wai Lam  
SUNG Yat Chun  
(*resigned on 3 March 2023*)

## COMPANY SECRETARY

WOO Chung Ping

## PRINCIPAL BANKERS

China CITIC Bank International Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## AUDITOR

CCTH CPA Limited  
Unit 1510–1517, 15/F., Tower 2  
Kowloon Commerce Centre  
No. 51 Kwai Cheong Road  
Kwai Chung, New Territories  
Hong Kong

## HONG KONG SHARE REGISTRAR

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

## REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited  
Whitehall House, 238 North Church Street  
George Town, Grand Cayman KY1-1102  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1301 and 1302  
Laws Commercial Plaza  
788 Cheung Sha Wan Road  
Kowloon  
Hong Kong

Dear Shareholders,

We hereby report the audited consolidated results of TFG International Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 as follows:

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the year ended 31 December 2022, the Group’s revenue was approximately of HK\$1,601.8 million, compared to HK\$7.8 million for 2021. The significant increase in the Group’s revenue was mainly due to the recognition of revenue after delivery of the completed properties to property buyers during the period. The Group recorded a profit before tax approximately of HK\$547.9 million, compared to the loss of HK\$341.1 million for 2021. The profit, amongst other things, was mainly attributable to (i) the recognition of a one-off gain from the disposal of subsidiaries which was completed in May 2022, and (ii) the profit generated from the sales of completed properties during the year of 2022.

Profit attributable to the owners of the Company for the year ended 31 December 2022 was approximately of HK\$265.2 million, compared to the loss of HK\$326.3 million for the corresponding period in 2021.

Revenue of the property development segment for the year ended 31 December 2022 was approximately of HK\$1,595.5 million, compared to HK\$1.8 million for the corresponding period 2021. Profit of the property development segment for the year ended 31 December 2022 was HK\$572.9 million, compared to the loss of HK\$126.9 million for the corresponding period in 2021. The profit was due to the recognition of revenue upon the delivery of completed properties to property buyers during the year.

During the year ended 31 December 2022, the Group had three projects under development on hand, namely German City project located in Hengqin New District, Zhuhai City, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel with total gross floor area approximately of 145,176 sq. m., of which approximately of 49,999 sq. m. is for sales. German City project is designated to be developed into a research and commercial complex. German City project had started pre-sales since the 4th quarter of 2019. As at 31 December 2022, German City project had achieved sales amounting to 53.94% of its gross saleable areas available for sale. The construction work of German City project is expected to be completed in December 2023.

Fuyuan Junting project holds two land parcels with total gross floor area approximately of 120,500 sq. m., of which 84,425 sq. m. is available for sales. Fuyuan Junting project is to be developed into a residential complex. Fuyuan Junting project had started pre-sales since the 4th quarter of 2019. As at 31 December 2022, first phase and second phase of Fuyuan Junting project had achieved sales amounting to approximately of 99.34% and 45.37% of its respective total gross saleable areas available for sales. Construction work of the first phase of the project had been completed. The completed properties of the first phase of the project had been handed over to the buyers since May 2022. Construction work of the second phase of the project is expected to be completed in November 2023.

## Letter to Shareholders

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq. m., of which approximately of 61,654 sq. m. is available for sales. Fuyuan Square project is designated to be developed into a commercial complex which comprises office towers, a 5-star standard hotel and a shopping center with basement car parks. Fuyuan Square project had started pre-sales since July 2020. As at 31 December 2022, Fuyuan Square project had achieved sales contracts approximately 59.34% of its total gross saleable areas available for sale. Construction work of Fuyuan Square project is expected to be completed in June 2024.

The Group is striving to accelerate the progress of pre-sale of properties.

As at 31 December 2022, non-current assets of the Group consisted of property under development, property, plant and equipment, right-of-use assets, and licensing rights amounting to a total of HK\$1,815.0 million, compared to HK\$1,806.0 million as at 31 December 2021. Current assets as at 31 December 2022 amounted to HK\$1,515.8 million, compared to HK\$2,785.1 million as at 31 December 2021. Current liabilities as at 31 December 2022 amounted to HK\$2,159.3 million, compared to HK\$3,471.0 million as at 31 December 2021. Non-current liabilities as at 31 December 2022 amounted to HK\$1,022.5 million, compared to HK\$1,243.2 million as at 31 December 2021. The decrease in current liabilities was mainly attributable to the reduction in contract liabilities as a result of the Group's recognition of revenue after delivery of completed properties to property buyers during the year. Net assets of the Group as at 31 December 2022 amounted to HK\$148.9 million, as compared to net liabilities of HK\$123.2 million as at 31 December 2021. The financial position of the Group has been significantly improved.

The Group's net current liabilities as at 31 December 2022 were approximately of HK\$643.6 million, which cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor does not express an opinion on the consolidated financial statements of the Company because of the aforesaid matters. The Directors, including the members of the audit committee of the Company, the management, and the auditor of the Company had reviewed and assessed plans and measures to improve the Group's liquidity and financial performance. Details of the going concern and mitigation measures of the Group are set out in section "Management Discussion and Analysis" on pages 6 to 9 and note 2 to the financial statements.

On 5 November 2021, the Company entered into a sale and purchase agreement with a controlling shareholder, executive director and chairman of the Company to dispose a direct wholly owned subsidiary of the Company for a consideration of HK\$282 million. The transaction contemplated herewith was a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). At the date of this report, the transaction was approved by the shareholders of the Company at an EGM to be held on 22 April 2022, and completed on 20 May 2022.

### DIVIDEND

The Directors do not recommend to pay any dividend for the year ended 31 December 2022 (2021: Nil).

## PROSPECT

In 2022, the global economy was adversely affected by COVID-19 pandemic, regional political instability and interest rate raise which caused the business environment becoming severely volatile. As all the businesses of the Group are in China, the weak consumers' consumption sentiments and the slump in property market in 2022 had severely impacted on the Group's property sales as well as hotel business operations.

Looking forward to 2023, with the relaxation of anti-epidemic prevention measures the Group expects a gradual recovery of the global economy, which would be a drive to stimulate a vivid domestic demand and consumption, which in turn fosters a positive operating environment to the property development business. The Group will keep abreast of the post pandemic economic development and adjust its marketing plans and strategies in response to the challenges in a timely manner to create greater value for Shareholders.

## ACKNOWLEDGMENT

On behalf of the Board, we would like to extend our sincere appreciation to all members of the Board, our staff, valued customers, business partners, bankers, and shareholders for their continuous support. We would also like to compliment the management and staff for their genuine and valuable dedication towards the development of the Group.

**YANG Lijun**

*Chairman*

Hong Kong, 29 March 2023

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year ended 31 December 2022, the Group's revenue was approximately of HK\$1,601.8 million, compared to HK\$7.8 million for 2021. The significant increase in the Group's revenue was mainly due to the recognition of revenue after delivery of the completed properties to property buyers during the year. The Group recorded a profit before tax approximately of HK\$547.9 million, compared to the loss of HK\$341.1 million for 2021. The profit, amongst other things, was mainly attributable to (i) the recognition of a one-off gain from the disposal of subsidiaries which was completed in May 2022, and (ii) the profit generated from the sales of completed properties during the year of 2022.

Profit attributable to the owners of the Company for the year ended 31 December 2022 was approximately of HK\$265.2 million, compared to the loss of HK\$326.3 million for the corresponding period in 2021.

## PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the year ended 31 December 2022 was approximately of HK\$1,595.5 million, compared to HK\$1.8 million for the corresponding period 2021. Profit of the property development segment for the year ended 31 December 2022 was HK\$572.9 million, compared to the loss of HK\$126.9 million for the corresponding period in 2021. The profit was due to the recognition of revenue upon the delivery of completed properties to property buyers during the year.

During the year ended 31 December 2022, the Group had three projects under development on hand, namely German City project located in Hengqin New District, Zhuhai City, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

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Fuyuan Junting project holds two land parcels with total gross floor area approximately of 120,500 sq. m., of which 84,425 sq. m. is available for sales. Fuyuan Junting project is to be developed into a residential complex. Fuyuan Junting project had started pre-sales since the 4th quarter of 2019. As at 31 December 2022, first phase and second phase of Fuyuan Junting project had achieved sales amounting to approximately of 99.34% and 45.37% of its respective total gross saleable areas available for sales. Construction work of the first phase of the project had been completed. The completed properties of the first phase of the project had been handed over to the buyers since May 2022. Construction work of the second phase of the project is expected to be completed in November 2023.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq. m., of which approximately of 61,654 sq. m. is available for sales. Fuyuan Square project is designated to be developed into a commercial complex which comprises office towers, a 5-star standard hotel and a shopping center with basement car parks. Fuyuan Square project had started pre-sales since July 2020. As at 31 December 2022, Fuyuan Square project had achieved sales contracts approximately 59.34% of its total gross saleable areas available for sale. Construction work of Fuyuan Square project is expected to be completed in June 2024.

The Group is striving to accelerate the progress of pre-sale of properties.

# Management Discussion and Analysis

## HOTEL BUSINESS

For the year ended 31 December 2022, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$4.4 million, compared to HK\$5.7 million for the corresponding period 2021. Loss of the segment amounted to HK\$28.4 million for the year ended 31 December 2022, compared to a loss of HK\$17.7 million for the corresponding period 2021. The loss is mainly attributable to the depreciation of property, plant and equipment, and finance costs incurred during the year.

### Geographical Segment

During the year, the Group did not have revenue generated from Hong Kong, and the revenue so generated elsewhere in the PRC mainly related to hotel business and property development.

## MATERIAL ACQUISITIONS AND DISPOSALS

On 5 November 2021, the Company entered into a sale and purchase agreement (the “Agreement”) with a purchaser, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly-owned subsidiary of the Company (the “Disposal Company”) together with its subsidiaries (the “Disposal Group”) (the “Disposal”) for a consideration of HK\$282,000,000 (the “Consideration”). The purchaser whose sole director is Mr. Yang Lijun (“Mr. Yang”) who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company. The Disposal had been approved by the shareholders of the Company at an EGM held on 22 April 2022, and was completed on 20 May 2022.

## REVIEW OF FINANCIAL POSITION

### Overview

As at 31 December 2022, non-current assets of the Group consisted of property under development, property, plant and equipment, right-of-use assets, and licensing rights amounting to a total of HK\$1,815.0 million, compared to HK\$1,806.0 million as at 31 December 2021. Current assets as at 31 December 2022 amounted to HK\$1,515.8 million, compared to HK\$2,785.1 million as at 31 December 2021. Current liabilities as at 31 December 2022 amounted to HK\$2,159.3 million, compared to HK\$3,471.0 million as at 31 December 2021. Non-current liabilities as at 31 December 2022 amounted to HK\$1,022.5 million, compared to HK\$1,243.2 million as at 31 December 2021. The decrease in current liabilities was mainly attributable to the reduction in contract liabilities as a result of the Group’s recognition of revenue after delivery of completed properties to property buyers during the year. Net assets of the Group as at 31 December 2022 amounted to HK\$148.9 million, as compared to net liabilities of HK\$123.2 million as at 31 December 2021. The financial position of the Group has been significantly improved.



# Management Discussion and Analysis

## Capital Structure, Liquidity and Financial Resources

As at 31 December 2022, the Group's total interest bearing borrowings amounted to HK\$1,476.7 million (31 December 2021: HK\$1,882.7 million) which comprised borrowings from financial institutions approximately of HK\$372.1 million (31 December 2021: HK\$413.3 million), borrowings from independent third parties of HK\$926.4 million (31 December 2021: HK\$1,256.7 million), promissory note payable of HK\$108.2 million (31 December 2021: HK\$107.8 million), other lender of HK\$64.2 million (31 December 2021: HK\$64.2 million), and amount due to a director of HK\$5.8 million (31 December 2021: HK\$40.7 million).

The Group's total equity as at 31 December 2022 amounted to HK\$148.9 million (31 December 2021: deficiency of HK\$123.2 million).

The Group's gearing ratio as at 31 December 2022 is approximately of 991.4% (31 December 2021: not presented). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business, the sales of the property units in Zhongshan, and other property development projects in the PRC.

## Capital Commitments

The Group did not have any significant capital commitment as at 31 December 2022 (31 December 2021: Nil).

## Project Commitments

As at 31 December 2022, the Group's outstanding commitments in respect of the costs of property development and acquisition of land for development, contracted but not provided for, amounted to approximately of HK\$223.5 million (31 December 2021: HK\$832.0 million).

## Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities amounting to HK\$361.1 million (31 December 2021: HK\$365.0 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the property buyers of the Group. The Board considered that in case of default in payments, the related properties will be sold at prices which exceed the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

## Charges on Group Assets

As at 31 December 2022, part of the Group's leasehold land and buildings with a carrying amount of HK\$218.2 million (31 December 2021: HK\$246.2 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of HK\$235.8 million (31 December 2021: HK\$439.9 million) were pledged to certain banks for facilities granted to the Group.

## Going Concern and Mitigation Measures

Even if the Company's financial performance and position have been improved substantially since last audited financial statement of the Group for the year ended 31 December 2021, the Company's auditor does not express an opinion on the audited consolidated financial statements of the Company for the year ended 31 December 2022 because, amongst other things, an indirect wholly owned subsidiary of the Company had not reached an agreement with a financial institution to extend a loan of RMB66.3 million (equivalent to HK\$75.0 million) expired on 4 December 2022 by the end of 2022.

# Management Discussion and Analysis

The management of the Company including the executive Directors of the Company have reviewed and assessed certain plans and measures to improve the Group's financial performance and positions:

1. The Group has been negotiating with the aforementioned financial institution underway at the date of this annual report and expected to reach a consensus with the financial institution to extend the said loan within a short period of time;
2. The Group is in active negotiation with other financial institutions, controlling shareholder, and independent third-party lenders to grand alternative financing and borrowings, revise, and/or extend the repayment schedules of existing loans and borrowings to finance the operations of the Group;
3. The Group has plans on hand to speed up the pre-sales of properties which will involve total saleable areas of approximately 86,607 sq. m. and total sales amount of approximately RMB598.6 million in 2023;
4. The Group has plans to handover completed properties to property buyers for an estimated amount of RMB899.3 million which will be transferred out of the Group's contract liabilities and recognised as revenue in 2023; and
5. The Group would explore new investment opportunities to bring in extra revenue and returns to the Group.

## STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2022 was 113, compared to 156 as at 31 December 2021. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

## SHARE OPTION SCHEME

A share option scheme adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 8 June 2011 (the "2011 Share Option Scheme") was terminated upon adoption of a new share option scheme by an ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 28 May 2021 ("New Share Option Scheme"). Upon termination of the 2011 Share Option Scheme, no further options of the 2011 Share Option Scheme shall be granted thereunder. Particulars of the share option scheme of the Company are set out in note 50 to the consolidated financial statements.

## OUTLOOK

### Outlook and Planning

In 2022, the global economy was affected by factors such as the pneumonia virus, the Russia-Ukraine war, and regional political instability, causing fuel prices and various commodity prices to soar. Many countries gradually raised interest rates in the second half of 2022, resulting in weak consumers' consumption sentiment and investors' investment confidence, and in turn slowing down the growth of the global economy.

All of the Group's operations are located in Mainland China. Since the outbreak of the pneumonia virus in China at the end of 2019, the Group's property sales and hotel business operations had been severely affected, which could be reflected by the worse consumers' consumption sentiment and slump in property prices.

Looking forward to 2023, with the gradual relaxation of the epidemic prevention measures in China and Hong Kong in the first quarter of 2023, and the Chinese government starting to reduce the bank deposit reserve ratio in order to encourage domestic demand and consumption, the economies of China and Hong Kong would be expected gradually to return to normal. The Group will seize the opportunity to accelerate its property sales, consolidate its hotel business, and identify feasible investment projects so as to bring maximum return to the Shareholders of the Company.

# Biographies of Directors and Senior Management

## DIRECTORS

### YANG Lijun

Mr. Yang Lijun (“Mr. Yang”), aged 49, is the Chairman of the Board and an executive Director of the Company. Mr. Yang is also the Chairman of the Executive Committee of the Board. Mr. Yang had been the Chairman of the Board since May 2017 and was re-designated as the Co-chairman of the Board in August 2019. Mr. Yang has been re-designated as the Chairman of the Board since 1 June 2020. Mr. Yang is also directors of certain subsidiaries of the Company. Mr. Yang has more than 20 years’ experiences in property development, property investment and property management businesses in Hong Kong and the PRC. From 2004 to 2013, Mr. Yang was the president of 中山大南集團有限公司 (Zhongshan Danan Group Limited) (“Zhongshan Danan”). From 2014 to 2017, Mr. Yang was the president of 中山富元控股集團有限公司 (Zhongshan Fuyuan Holdings Group Limited) (“Zhongshan Fuyuan”). Mr. Yang is also the director and controlling or substantial shareholder of certain private companies, namely Yang’s Development Limited and Affluent Splendid Investment Holdings Limited both of which engage in property investment and development businesses in the PRC. Mr. Yang is directly interested in 100% shares of Jade Leader International Investment Limited (“Jade Leader”) and 100% shares of Honor Huge Investment Holdings Limited (“Honor Huge”), which own as to 100% interest in shares of All Great International Holdings Limited (“All Great”), which owned as to 44.44% interest in the issued shares of the Company. Mr. Yang also personally holds 11,608,000 shares of the Company. Mr. Yang is a sole director of Jade Leader, Honor Huge and All Great, respectively.

### GAO Jingyao

Mr. Gao Jingyao (“Mr. Gao”), aged 49, graduated from Sun Yat-Sen University major in Business Administration. Mr. Gao also obtained a degree in Master of Business Administration from Jinan University. Mr. Gao had over 20 years’ working experiences in financial services industry. From 2001 to 2014, Mr. Gao was employed by Industrial and Commercial Bank of China, and was the principals in certain sub-branches in Zhongshan City, general manager of Business Department of Zhongshan Branch and deputy principal of Maoming Branch. From 2014 to January 2021, Mr. Gao was employed by Hua Xia Bank, and was the general manager of Sales Department of Guangzhou Branch and principal of Zhongshan Branch.

### TAM Ka Wai

Mr. Tam Ka Wai (“Mr. Tam”), aged 35, graduated from the Huaqiao University in Fujian Province, the PRC with a bachelor’s degree in Economics. Mr. Tam has extensive experience in business operation, development, marketing and management. Prior to joining the Company, Mr. Tam has been appointed as a director of Golden Shining Investment Limited, a company specialising in travel business, since January 2014, and a director of GBA Cultural Residence Holdings Limited, an investment holding company, since October 2018. Mr. Tam is responsible for overseeing the day-to-day operations, formulating operational strategies and business management of the aforementioned companies.

# Biographies of Directors and Senior Management

## WONG Yuk Lun, Alan

Mr. Wong Yuk Lun, Alan (“Mr. Alan Wong”), aged 48, graduated from the University of Sunderland with a bachelor’s degree in Accounting and Finance. Mr. Alan Wong had been working with various accounting firms and commercial companies, and has over 20 years of experience in merger and acquisitions, financial management, taxation, audit and non-audit services. Mr. Alan Wong has served as an executive director of NOVA Group Holdings Limited (stock code: 1360) since July 2020 and a chief executive officer since 6 April 2023, the issued shares of which are listed on the Stock Exchange. Mr. Alan Wong has also served as an independent non-executive director of Huisheng International Holdings Limited (stock code: 1340) since July 2017, Smart City Development Holdings Limited (stock code: 8268) since July 2019, and Kin Shing Holdings Limited (stock code: 1630) since December 2021, the issued shares of all of which are listed on the Stock Exchange. Mr. Alan Wong has also served as an independent non-executive director of Temir Corp. (stock code: TMRR) since July 2019, the issued shares of which are traded on the OTC Securities Marketplace in the United States of America. Mr. Alan Wong was formerly an independent non-executive director of TUS International Limited (currently known as Titan Invo Technology Limited) (stock code: 872) from September 2014 to July 2020.

## CHAN Hoi Ling

Ms. Chan Hoi Ling (“Ms. Cheryl Chan”), aged 49, has been appointed an independent non-executive Director of the Company since October 2010. She graduated from the University of South Australia with a Bachelor’s Degree in Accountancy, the Hong Kong Polytechnic University with a Master’s Degree in Business Administration, and the University of Hong Kong with a Master of Laws in Compliance and Regulation. She has extensive experience in auditing and accounting. Ms. Cheryl Chan was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants.

## SO Wai Lam

Ms. So Wai Lam (“Ms. So”), aged 41, has been appointed as an independent non-executive Director of the Company since October 2010. She holds a Bachelor’s Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master’s Degree in Finance from the University of Hong Kong. Ms. So has over 16 years of experience in the corporate finance industry. She is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance.

## CHAN Chu Hoi

Ms. Chan Chu Hoi (“Ms. Ella Chan”), aged 62, is a member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Ms. Ella Chan has over 20 years’ experience in financial management, accounting, internal control and auditing. Prior to joining the Company, Ms. Ella Chan worked as an accounting and administrative manager of a subsidiary of Exide Technologies, a company listed on NASDAQ (stock code: XIDE) from August 1999 to December 2010. Ms. Ella Chan was also appointed as a manager of an accounting firm in Hong Kong from February 2011 to February 2014. During her tenure of services in the accounting firm, Ms. Ella Chan was responsible to carry out audit and assurance services, and set up and implement the quality control policy of the firm. From March 2014 to May 2015, Ms. Ella Chan worked as a senior accounting manager at a property investment company in Hong Kong. From June 2015 to April 2017, Ms. Ella Chan was appointed as a senior manager of the securities division of a subsidiary of the Company. From November 2019 to November 2022, Ms. Ella Chan was appointed as an independent non-executive director of China Resources and Transportation Group Limited (Stock Code: 0269), the issued shares of which are listed on the Stock Exchange. From May 2020 to July 2020, Ms. Ella Chan was appointed as an independent non-executive director of China Gem Holdings Limited (Stock Code: 1191), the issued shares of which are listed on the Stock Exchange.

# Biographies of Directors and Senior Management

## SENIOR MANAGEMENT

### WOO Chung Ping

Mr. Woo Chung Ping (“Mr. Woo”), aged 59, is the Group Financial Controller and Company Secretary of the Company. Mr. Woo has extensive experience in accounting, auditing and finance. Mr. Woo joined the Company in June 2008. Mr. Woo has been the Group Financial Controller of the Group for over fifteen years and presently is responsible for the finance, company secretarial matters, human resources and administration functions. Mr. Woo is a director of an indirect wholly owned subsidiary of the Company. Mr. Woo graduated from The Hong Kong Polytechnic University with a Bachelor of Science degree in Actuarial Science and a Master of Science degree in Accountancy. Mr. Woo obtained a Postgraduate Diploma in Finance and Law from The School of Professional and Continuing Education of The University of Hong Kong and a Bachelor of Science degree in Mathematical Studies from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University). Mr. Woo is a practising member of The Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a member of CPA Australia, an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

# Report of the Directors

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

During the year, the Group was principally engaged in properties development and hotel business in Mainland China (“the People’s Republic of China” or the “PRC”). Details of the principal activities of the principal subsidiaries are set out in the note 51 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 67 to 147.

No dividends have been declared in respect of the year.

## BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2022, the discussion of possible new business development, principal risks and uncertainties surrounding the Group’s operational environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Letter to Shareholders of this annual report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this annual report. Apart from that, below section is a review of business by financial key performance indicators which highlight further information about the performance of the Group.

### Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2022, the Group’s profit, amongst other things, was mainly attributable to (i) the recognition of a one-off gain from the disposal of subsidiaries which was completed in May 2022, and (ii) the profit generated from the sales of completed properties during the year. The profitability of the Group was substantially improved.

<b>Profitability</b>	<b>2022</b>	<b>2021</b>
Net profit/(net loss) margin ratio	<b>20.61%</b>	(4,392.90)%
Return on equity ratio	<b>378.05%</b>	(810.54)%

<b>Return to shareholders</b>	<b>2022</b>	<b>2021</b>
Profit/(loss) per share —basic	<b>HK\$3.82 cents</b>	HK\$(4.70) cents
Profit/(loss) per share — diluted	<b>N/A</b>	N/A

As at 31 December 2022, current ratio of the Group was approximately the same as those as at 31 December 2021, whereas the liquidity of the Group improved.

<b>Liquidity and debt</b>	<b>2022</b>	<b>2021</b>
Current ratio	<b>0.70</b>	0.80
Gearing ratio	<b>991.4%</b>	N/A

# Report of the Directors

## GOING CONCERN AND MITIGATION MEASURES

Details of the going concern and mitigation measures of the Group are set out in section “Management Discussion and Analysis” on pages 6 to 9 and note 2 to the financial statements.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board recognises that a company’s long-term growth requires it to make measures to lessen the environmental effect of its operations. The Group keeps track of the risks and possibilities associated with environmental, social, and governance (“ESG”) issues, taking into account their significance for the Group’s property development and hotel business investments. The Board has assumed overall responsibility for defining ESG strategy that is relevant to the Group’s operations. Important topics like as safety, customer satisfaction, environmental compliance, and talent development, among others, are included. These significant ESG components are managed by a senior management team, and the responsibilities are then transferred to lower levels, such as department heads, who identify and manage ESG related risks and opportunities in daily operations.

Our ESG performance will be reported in detail in the seventh ESG report on pages 42 to 63 of this annual report. Here we explain the Group’s environmental policies and confirm compliance with related laws and regulations, in addition to explaining how we engage with key stakeholders.

### Environmental Policies

The operations of our Hong Kong headquarter are entirely office-based, which only has limited environmental impacts. Despite this, we continue to strive to run our workplace in a sustainable and environmentally conscious manner. We make sure that our personnel are aware of the need of conserving energy and making optimal use of resources. The Group has sub-licensed its hotel facilities (La Palazzo Hotel in Maoming, Guangdong, PRC) to a hotel operator. We verify that the operator adheres to well-established rules, procedures, and processes for managing the hotel’s environmental performance.

We are encouraged by the fact that, during the year, hotel operations continued to keep emissions of air pollutants and greenhouse gases within the Environmental Protection Bureau’s statutory limits. We also make certain that the hotel operator is up to date on the most recent national regulatory regime and that all operations are in compliance with all applicable regulations.

The hotel’s swimming pool water is recycled for sanitary purposes, and linen washing is done in an environmentally friendly manner. Staff management is continually working to ensure that all of its employees are fully motivated to follow environmentally friendly working practices and are aware of energy conservation goals.

The Group has established a climate change policy to manage the linked risk, as climate change is one of the possible hazards that can affect our daily operations, such as the occurrence of extreme weather, throughout the year. The Group examines its Climate Change Policy on a regular basis to ensure that necessary information and resources are available to monitor the impact of climate change on its workers and business activities.

### Compliance with laws and regulations

The Group closely adheres to the Environmental Protection Tax Regulation, the Prevention and Control of Environmental Pollution of Solid Waste, Environmental Noise and Air Pollution, and Water Pollution. The Group’s management feels that responding quickly to changes in relevant rules helps them retain their reputation, as well as their operational and financial performance.

During the year, there was no incidence of non-compliance with environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, or the formation of hazardous and non-hazardous waste.

The Group is required to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers, Mergers, and Share Buybacks, the Companies Law of the Cayman Islands, and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) as a listed company. We follow and ensure that our operations, including those of the hotel operator, adhere to the applicable statutes’ legal requirements.

### Key Relationships with Stakeholders

Stakeholder engagement and response to significant concerns are ensured through a variety of channels, including annual general meetings, corporate websites, annual reports, and so on. Customers, employees, shareholders, local communities, governments, non-governmental organizations, national and international trade associations, and suppliers are among our main stakeholder groups.

### Employees

The core of a business’s growth is an efficient and dedicated staff of talents. The Group is convinced that just, fair, and transparent employment rules and procedures are essential for attracting, maintaining, and inspiring high-quality employees. There is a handbook for employees that explicitly specifies that any sort of corruption, blackmail, fraud, or money laundering is prohibited. We have a comprehensive approach to guaranteeing equitable redress of grievances, and employees have access to a suitable channel for reporting any issues relating to integrity. Our human resources staff adheres to Hong Kong Labour Ordinance and Chinese Labor Laws in terms of practices, policies, and plans. We were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices and occupational health and safety.

### Customers

The provincial authorities have approved the Group’s hotel as a Grade A hotel in terms of catering, food safety, and public health. The hotel operator follows the “Guangdong Provincial Food Safety Regulations” and related policies and guidelines to the letter. The use of food additives is strictly regulated, in accordance with the “Use of Food Additives Standards”.

The Company works efficiently with the hotel operator to ensure customer satisfaction by ensuring that clients receive only the best products and services. A standard operating system is in place for resolving hotel guest grievances, and its execution is overseen by the highest-ranking executive on duty at the time of day, or by the hotel manager.

The privacy of hotel guests’ data is strictly protected, guaranteeing that no personal information about them is disclosed to a third party. Only authorised senior people have access to complete information.



# Report of the Directors

## Suppliers

The Group ensures that the hotel business complies with supplier environmental and social performance. It is the hotel operator's responsibility to cooperate with suppliers who uphold business ethics, conduct themselves transparently, and adhere to standards that are consistent with our own. Suppliers are chosen and evaluated using a supplier code of conduct that contains corporate responsibility standards. In addition, a list of bulk raw materials providers is kept on file to guarantee that inputs flow smoothly. Their operating licenses as well as their quality assurance methods are frequently audited.

## REMUNERATION POLICY

As at 31 December 2022, the Group had 113 employees who were administrative and managerial staff. As part of the Group's human resources policy, employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus scale. Apart from offering competitive remuneration packages to employees, the Group also offers post-retirement benefits, discretionary bonuses and share options to eligible directors and staff of senior management based on individual performance.

Currently, the Group continues to implement its overall human resources training and development programme and encourages employees to equip themselves with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

The Remuneration Committee reviews, on an annual basis, remuneration packages offered to Directors and employees with reference to the prevailing market conditions, the experience of the Directors or employees and individual performance.

## TAX RELIEF

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

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years are set out on page 150.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 41 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company during the year are set out in note 42 to the consolidated financial statements, and of the Group during the year are set out in the consolidated statement of changes in equity on page 71.

## DISTRIBUTABLE RESERVES

At 31 December 2022, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2018 Revision) of the Cayman Islands.

## SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 50 to the consolidated financial statements.

## HOTEL OPERATING RIGHTS AGREEMENTS

On 15 March 2017, the Group entered into two hotel operating rights agreements with two hotel operating rights holders, which were independent third parties (the "Hotel Operating Rights Agreements"). Under the Hotel Operating Rights Agreements, the hotel operating rights holders were granted the rights to operate and manage the Group's hotel in Maoming City, the PRC (the "Hotel") and the Group is entitled to receive an aggregate fixed monthly fee of RMB1 million plus a royalty fee calculated on the basis of 10% of the net profits generated by the Hotel each month. The Hotel Operating Rights Agreements will expire on 8 June 2026. For the year ended 31 December 2022, licensing income of the Group represented approximately of 0.3% of the total revenue of the Group. None of the Directors is interested in the Hotel Operating Rights Agreements.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers shared more than 6.9% of the total revenue of the Group in the year and the aggregate revenue attributable to the largest customer included therein shared more than 3.6% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers shared more than 15.8% of the total purchases of the Group in the year and aggregate purchases attributable to the largest supplier included therein shared more than 7.9% of the total purchases of the Group. None of the Directors, their close associates or any shareholder of the Company owned more than 5% issued shares of the Company was interested in such customers and suppliers.

# Report of the Directors

## DIRECTORS

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

### Executive Directors:

YANG Lijun (*Chairman & Chief Executive Officer*)

GAO Jingyao

TAM Ka Wai (*appointed on 3 March 2023*)

### Non-Executive Directors:

WONG Yuk Lun, Alan (*appointed on 3 March 2023*)

WONG Kui Shing, Danny (*resigned on 3 March 2023*)

### Independent Non-Executive Directors:

CHAN Hoi Ling

SO Wai Lam

CHAN Chu Hoi (*appointed on 3 March 2023*)

SUNG Yat Chun (*resigned on 3 March 2023*)

In accordance with Articles 106 and 107 of the Company's Articles of Association, Mr. Yang Lijun, Ms. Chan Hoi Ling, and Ms. So Wai Lam shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Besides, Ms. Chan Hoi Ling and Ms. So Wai Lam, all being independent non-executive directors, have served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, they will be subject to separate resolutions to be approved at the forthcoming annual general meeting.

In accordance with Article 112 of the Company's Articles of Association, Mr. Tam Ka Wai, Mr. Wong Yuk Lun, Alan, and Ms. Chan Chu Hoi shall hold office as Directors until the next following annual general meeting of the Company, and being eligible, offers themselves for re-election at the annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

No Director or any of his/her connected entity had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year or as at 31 December 2022.

There was no contract of significance to the business of the Group made between the Company or any of its subsidiaries and controlling shareholder of the Company during the year or as at 31 December 2022.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, Mr. Yang, the executive Director and chief executive officer of the Company and chairman of the Board, declared his interests in the following private companies with businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group:

Name of companies	Nature of businesses considered to compete or likely to compete with the business of the Group	Nature of interest in those companies during 2022
Yang's Development Limited ("Yang's")	Property investment and development in the PRC	Mr. Yang had certain direct interests in Yang's, in which Mr. Yang was a controlling shareholder, director, and directors of certain subsidiaries of Yang's.
Affluent Splendid Investment Holdings Limited ("Affluent")	Property investment in the PRC	Mr. Yang had certain indirect interests in Affluent, in which Mr. Yang was a controlling shareholder and director.

The above-mentioned businesses have been managed either by the management and administration teams of the respective private companies, or by other outsourced independent professionals. The Directors of the Company acknowledge their responsibilities to act honestly and in the best interests of the Company while acting on behalf of the Group, and will do all such things and measures to avoid conflicts of interest arising. Apart from that, the independent non-executive Directors of the Company will assist in monitoring the operations of the Group to ensure that businesses of Group can be operated independently and will not be affected by the operations of the above-mentioned private companies. Thus, the interest of the Company's shareholders can be adequately represented.

Throughout the year of 2022, the Board comprised three independent non-executive Directors, all being members of audit committee.

Save as disclosed above, none of the Directors is considered to have interests in the business which competed or is likely to compete with the businesses of the Group.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Directors are entitled to grant of options under Share Option Scheme of the Company. Save for the aforesaid, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement the object of which was to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

# Report of the Directors

## DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

Name of Director	Name of Company	Capacity	Notes	Number of ordinary shares held	Percentage of issued ordinary shares
Yang Lijun	The Company	Held by controlled corporations	1	3,087,027,152	44.44%
	The Company	Beneficial owner		11,608,000	0.17%

Note:

- As at 31 December 2022, All Great International Holdings Limited ("All Great") was owned as to 51% by Jade Leader International Investment Limited ("Jade Leader"), 35% by Honor Huge Investment Holdings Limited ("Honor Huge") and 14% by Ever Star International Investment Limited ("Ever Star"). Mr. Yang Lijun, an executive Director of the Company and the Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. Yang Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Accordingly, Mr. Yang Lijun was deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO.

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

## PERSONS HOLDING 5% OR MORE INTERESTS

As at 31 December 2022, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long positions in the shares of the Company:

Name of Shareholders	Capacity	Notes	Number of ordinary shares held	Percentage of issued ordinary shares
All Great International Holdings Limited	Beneficial owner	2	3,087,027,152	44.44%
Jade Leader International Investment Limited	Held by controlled corporation	2	3,087,027,152	44.44%
Honor Huge Investment Holdings Limited	Held by controlled corporation	2	3,087,027,152	44.44%
Lin Rujie	Interest of Spouse	3	3,098,635,152	44.61%
Huang Anfeng	Held by controlled corporation	4	1,320,000,000	19.00%
Bright Goal Investment Holding Limited	Beneficial owner	4	1,320,000,000	19.00%
Huang Anfeng	Beneficial owner		59,448,000	0.86%

Notes:

- As at 31 December 2022, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Mr. Yang Lijun, an executive Director of the Company and the Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. Yang Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Mr. Yang Lijun, Jade Leader and Honor Huge were deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 1 to the section headed "Directors' interests in the securities and debentures of the Company and its associated corporations" above.
- Ms. Lin Rujie, spouse of Mr. Yang Lijun was deemed to be interested in the shares of the Company deemed to be interested by Mr. Yang Lijun, an executive Director and Chairman of the Board.
- As at 31 December 2022, Mr. Huang Anfeng was interested in 100% issued share capital of Bright Goal Investment Holding Limited.

# Report of the Directors

## DIVIDEND POLICY

It is the Board's discretion to declare or recommend distribution of dividends, which depends on the financial performance, working capital requirements, future business plans and the funding requirements of the Group, external economic factors and Shareholders' interests.

## SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

The Group and the controlling shareholders of the Company did not enter into any contract of significance during the year of 2022.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## INDEMNITY PROVISION

During the year of 2022, the Company had arranged appropriate insurance coverage in force on Director's liabilities in respect of potential legal liabilities against them.

## CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report save for the deviations as disclosed in the Corporate Governance Report from pages 24 to 41.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 29 March 2023, being the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS

The Board has established the audit committee of the Company (the "Audit Committee") which comprises three independent non-executive Directors.

The Audit Committee has met with the auditors of the Group and the Company's management to review the accounting principles and practices adopted by the Company, the effectiveness of internal systems and controls of the Group, and the audited financial statements of the Group for the year ended 31 December 2022.

# Report of the Directors

## AUDITOR

The consolidated financial statements for the year were audited by CCTH CPA Limited who will retire and being eligible, offer itself for re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

**YANG Lijun**

*Chairman*

Hong Kong, 29 March 2023



# Corporate Governance Report

The board (the “Board”) of directors (“Director(s)”) hereby presents the Corporate Governance Report for the year ended 31 December 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

### **Compliance with Code on Corporate Governance Practices**

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

The Company adopts the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules as the basis of the Company’s corporate governance practices.

Throughout the year of 2022, the Company has applied the principles of and complied with the applicable code provisions as set out in Appendix 14 of the Listing Rules, except for code provisions C.2.1, C.1.6, and F.2.2.

## BOARD

### Board Composition

During the year of 2022, the Board comprised six Directors, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors (“INEDs”). The composition of the Board during the year of 2022 was set out as follows:

Executive Directors	YANG Lijun ( <i>Chairman and Chief Executive Officer</i> ) GAO Jingyao
Non-executive Director	WONG Kui Shing, Danny ( <i>resigned on 3 March 2023</i> )
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun ( <i>resigned on 3 March 2023</i> )

An updated list of the Company’s Directors, their roles and functions can be found from the Company’s website at [www.tfginternationalgroup.com](http://www.tfginternationalgroup.com) and the Stock Exchange’s website at [www.hkex.com.hk](http://www.hkex.com.hk).

The name of each INED was identified in all corporate communications of the Company.

Biographical details of the Directors and the senior management of the Group are set out in the section headed “Biographies of Directors and Senior Management” in this annual report.

The Company also received from each of the Directors annual confirmations that there is no financial, business, family or other material/relevant relationships between Board members, and all the Directors have sufficient time and attention to the affairs of the Company.

### Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

On 5 February 2021, Mr. Yang, the chairman and an executive Director of the Company, was appointed as chief executive officer of the Company. As Mr. Yang has extensive experience in the businesses of property development and investment, the Board believes that by holding both roles of the chairman and the chief executive officer Mr. Yang will be able to provide strong leadership for the Board and effective and efficient business decisions for the Group. The Board believes that the present structure of the Board would provide adequate checks and balances, and a variety of opinions relating to the affairs and the businesses of the Group.

# Corporate Governance Report

## Non-executive Directors

Under code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

During the year of 2022, all the non-executive Directors including INEDs were appointed for a specific term of one year subject to retirement by rotation and re-election at the annual general meeting (“AGM”) of the Company in accordance with the articles of association (“Articles of Association”) of the Company.

## INEDs

Throughout the year of 2022 and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Rule 3.10(1) requires that every board of directors of a listed issuer must include at least three INEDs, Rule 3.10(2) requires that at least one of the INEDs must have appropriate professional qualifications or is accounting or related financial management expertise, and Rule 3.10A requires that an issuer must appoint independent non-executive directors representing at least one-third of the board. At all time during the year of 2022, all INEDs met the guidelines for assessment of their independence as set out in Rule 3.10 of the Listing Rules.

During the year of 2022, the INEDs, Ms. Chan Hoi Ling, Ms. So Wai Lam, and Mr. Sung Yat Chun (resigned on 3 March 2023), had served the Company for more than nine years, during the tenure of offices they provided the Company with a wide range of expertise, skills, impartial views, comments, and independent judgment on issues of strategic directions, development, financial performance and risk management through their contribution at attending the Board meetings and Committee meetings. They have not taken part in the day-to-day management of the Company.

The Company also received from each of the INEDs a confirmation of independence for the year of 2022 pursuant to Rule 3.13 of the Listing Rules.

Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired. The Company considers such Directors to be independent.

## Appointment and Re-election of Director

According to the Articles of Association of the Company and at the annual general meeting in each year, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the conclusion of the meeting or adjourned meeting at which he/she is due to retire.

In the 2022 AGM of the Company, Mr. Gao Jingyao, Ms. Chan Hoi Ling and Mr. Sung Yat Chun (resigned on 3 March 2023), not less than one-third of the Directors for the time being, retired and offered themselves for re-election.

# Corporate Governance Report

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group, and to review and approve the Group's annual and interim results.

The Board has reserved for its decisions or consideration of matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions, other significant policies, corporate governance, and financial related matters. The Board has delegated the day-to-day responsibility to the executive Directors and the management.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least a 14 days' notice period for a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments before being tabled at the following Board meeting for approval. All minutes are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

During the year of 2022, the Board has established a mechanism to ensure a strong independent element on the Board of the Company, which allows the Board to effectively exercise independent judgment, better safeguard shareholders' interests, and maintain and improve the Board performance. The mechanism mainly covers:

- (i) the establishment of term of reference of the nomination committee (the "Nomination Committee") to identify suitable candidates, including independent non-executive directors, for appointment as Directors;
- (ii) the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship;
- (iii) annual assessment of the independence of INEDs;
- (iv) the entitlement of each Director to seek independent professional advice in performing their duties at the Company's expense;
- (v) the entitlement of each Director to access to Board papers and related materials, and seek for the advice and services of the company secretary or senior management;
- (vi) setting out the reasons for proposing a resolution to elect an individual as an INED at the general meeting in the circular to the shareholders; and

# Corporate Governance Report

(vii) putting the annual review of the Board's independence as an on-going exercise of the Company.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against them.

## Directors' Attendance Record at Meetings

Pursuant to the code provision C.5.1 of the CG Code, the board of issuers should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. For the year ended 31 December 2022, there were seven (7) board meetings held. The Directors were well acknowledged of the operations and financial performance of the Group for the year under review.

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2022 are set out below:

Name of Directors	Number of meetings attended/held						Annual General Meetings	Extraordinary General Meeting
	Board	Remuneration Committee	Audit Committee	Nomination Committee	Executive Committee	Chairman and INEDs		
<b>Executive Directors</b>								
YANG Lijun <i>(Chairman and Chief Executive Officer)</i>	7/7	-	-	-	1/1	1/1	0/1	0/2
GAO Jingyao	7/7	-	-	-	1/1	-	0/1	1/2
<b>Non-executive Director</b>								
WONG Kui Shing, Danny <i>(resigned on 3 March 2023)</i>	7/7	-	-	-	-	-	0/1	1/2
<b>INEDs</b>								
CHAN Hoi Ling	7/7	1/1	4/4	1/1	-	1/1	0/1	1/2
SO Wai Lam	6/7	1/1	4/4	1/1	-	1/1	1/1	2/2
SUNG Yat Chun <i>(resigned on 3 March 2023)</i>	7/7	1/1	4/4	1/1	-	1/1	1/1	1/2

The procedures and arrangements for a Board meeting, as mentioned in the section headed "Board" of this report, have been adopted for the committee meetings so far as practicable.

# Corporate Governance Report

## Continuous Professional Development of Directors

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the Directors received the following training and/or regulatory updates with an emphasis on the roles, functions and duties of a director of a listed company in order to comply with the requirements of the CG Code on continuous professional development during the year ended 31 December 2022.

<b>Name of Directors</b>	<b>Reading regulatory updates</b>	<b>Attending trainings/ briefings/ seminars/ conferences relevant to Directors' duties</b>
<b>Executive Directors</b>		
YANG Lijun ( <i>Chairman and Chief Executive Officer</i> )	✓	
GAO Jingyao	✓	
<b>Non-executive Director</b>		
WONG Kui Shing, Danny ( <i>resigned on 3 March 2023</i> )	✓	
<b>INEDs</b>		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun ( <i>resigned on 3 March 2023</i> )	✓	✓

All Directors confirmed that they had complied with code provision C.1.4 of the CG Code on directors' continuous professional development for the year ended 31 December 2022.

# Corporate Governance Report

## Financial Reporting

The Board acknowledges its responsibilities of the preparation of the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, and to report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the Group's ability to continue preparing the accounts on a going concern basis. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, CCTH CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue preparing the financial statements on the assumption that the Group will continue as a going concern.

## BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary, are circulated to all Board members and the committees are required to report to the Board on their decision and recommendations where appropriate.

### Audit Committee

The Audit Committee has been established since March 1999. During the year of 2022, the Audit Committee consisted of three members namely, Ms. CHAN Hoi Ling (Chairman of the Audit Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun (resigned on 3 March 2023), all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or financial management related expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the responsibilities to oversee the financial reporting system and internal control procedures and their effectiveness.

The terms of reference of the Audit Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Audit Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. There were four (4) Committee meetings held in the year of 2022 and the attendance of each member is set out in the section headed "Board" of this report.

# Corporate Governance Report

It is also a practice of the Audit Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In the year of 2022, the Audit Committee performed the works as summarised below:

- (i) reviewed and recommended 2021 final results, audit findings and draft final results announcement for the Board's approval;
- (ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iii) considered the auditor's remuneration for the year of 2022;
- (iv) reviewed and recommended 2022 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;
- (v) reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function, and the training programmes and budget; and
- (vi) reviewed the effectiveness of the Group's risk management and internal control systems and recommended the Report on the Risk Management and Internal Control for the Board's approval.

## Nomination Committee

The Nomination Committee has been established since 1 April 2012. During the year of 2022, the Nomination Committee consisted of three members namely, Mr. SUNG Yat Chun (Chairman of the Nomination Committee) (resigned on 3 March 2023), Ms. SO Wai Lam and Ms. CHAN Hoi Ling, all being the INEDs.

The Nomination Committee shall take into account the following in the course of nomination, appointment and removal of Directors, and make recommendation to the Board whenever they consider appropriate.

- (i) To review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) To identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- (iii) To consider potential candidates on merit against criteria such as academic qualification, working experience, skills and knowledge with due regard for the Board succession and Board diversity perspective; and
- (iv) To make 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, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed, as appropriate.



# Corporate Governance Report

The Nomination Committee would make recommendations to the Board for consideration on nominations, appointment and re-appointment of directors. The consideration of a proposed director candidate involves the assessment of the merits, academic qualification, working experience, skills and knowledge of the candidate from board succession and board diversity perspective.

The Company appreciates the importance of a diverse team of board members, which is crucial to maintain a high quality of directors' team.

The Nomination Committee shall formulate the nomination policy, review the size, structure and composition of the Board, and assess the independence of its INEDs in accordance with the prescribed criteria of the CG Code.

The terms of reference of the Nomination Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Nomination Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. There was one (1) Committee meeting held in the year of 2022 and the attendance of each member is set out in the section headed "Board" of this report.

It is also a practice of the Nomination Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In the year of 2022, the Nomination Committee performed the works as summarised below:

- (i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at the AGM held on 27 June 2022;
- (ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED;
- (iii) reviewed the terms of appointment of the non-executive Director and INEDs for one year commencing from 1 January 2022; and
- (iv) reviewed the biographies of each of the INEDs who had served that Company for more than nine years, and considered that each of the INEDs during their tenure of offices they provided the Company with a wide range of expertise, skills, impartial views, comments, and independent judgment on issues of strategic directions, business development, financial performance and risk management through their contributions at attending Board meetings and Committee meetings and had fulfilled the role of an independent non-executive Director.

## Remuneration Committee

The Remuneration Committee has been established since August 2005. During the year of 2022, the Remuneration Committee consisted of three members namely, Ms. SO Wai Lam (Chairman of the Remuneration Committee), Ms. CHAN Hoi Ling and Mr. SUNG Yat Chun (resigned on 3 March 2023), all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management only.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The terms of reference of the Remuneration Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Remuneration Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. There was one (1) Committee meeting held in the year of 2022 and the attendance of each member is set out in the section headed "Board" of this report.

It is also a practice of the Remuneration Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In the year of 2022, the Remuneration Committee performed the works as summarised below:

- (i) assessed performance of executive Directors;
- (ii) reviewed the existing policy and structure for the remuneration of Directors;
- (iii) reviewed the existing remuneration packages of the executive Directors and senior management; and
- (iv) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the non-executive Director and the INEDs for one year commencing from January 2023 for the Board's approval.

The remuneration payable to Directors will depend on their respective contractual terms under their letter of appointments or service contracts as approved by the Board on the recommendation of the Remuneration Committee.

# Corporate Governance Report

## Executive Committee

The Executive Committee has been established since February 2013. During the year of 2022, the Executive Committee consisted of two members namely, Mr. Yang Lijun (Chairman of the Committee) and Mr. Gao Jingyao.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee plays a complementary role to undertake and supervise the day-to-day management of the Group and is empowered:

- (i) to formulate and implement policies for the business activities, internal control and administration of the Group; and
- (ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

There was one (1) Committee meeting held in the year of 2022 even though most of the day-to-day operations and management decisions were vested in and approved by the Board. The attendance of each member at the Committee meeting is set out in the section headed "Board" of this report.

It is also a practice of the Executive Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

## COMPANY SECRETARY

Mr. Woo Chung Ping ("Mr. Woo") is the company secretary of the Company. His biography is depicted on page 12 of this annual report. All Directors have access to the advices and services of the Company Secretary. The Company Secretary is responsible for reporting to the Board, advising the Board on corporate governance matters, ensuring that board procedures are followed, and the proper functioning of communications among Directors, shareholders and the management. During the year ended 31 December 2022, Mr. Woo attended over 15 hours of relevant professional training to update his skills and knowledge to meet the training requirement set out in Rule 3.29 of the Listing Rules.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems to evaluate the risks that the Company is willing to take in achieving the Company's objectives, and safeguard the Group's assets at all times. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management framework consists of the Board, the Audit Committee and the senior management of the Group. The Board would (1) determine and identify the risks that would have material impact on the achievement of strategies and business objectives of the Group; (2) evaluate the effectiveness of the Group's risk management and internal control systems to monitor the operation of controls; (3) monitor the status of compliance with rules, laws and regulations such as compliance with Listing Rules; and (4) provide directions in identifying, evaluating and managing significant risks. The review of the risk management and internal control systems of the Group was through the engagement of external audit professional with the support of the Audit Committee on an ongoing basis pursuant to code provision D.2. The review would be conducted annually and cover each of the twelve months of the year. A risk management and internal control review report will be submitted to the Audit Committee and the Board for review once a year.

The Company did not have its in-house internal audit function. The Board is of the view that there is no immediate need to set up an internal audit department of the Group because of the size, nature and complexity of the Group's business.

In the year of 2022, the Board, through the engagement of external audit professional with the support of the Audit Committee, evaluated the internal control system of the Group. A report of the review of risk management and internal control systems for the year of 2022 was submitted to the Audit Committee and the Board for review. Based on the findings of the report, the Board and the Audit Committee were not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group. Apart from that, there was a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and the training programmes and budget by the Audit Committee in the year of 2022. The Board considers the risk management and internal control systems of the Group are effective and adequate.

## Whistleblowing Policy

The Company always adheres to the value of integrity and honesty, and has zero tolerance of corruption, blackmail, fraud and money laundering. The Company has established a code of conduct which spells out the guidelines to all employees and Directors on the acceptance of advantage and handling conflict of interest while dealing with the Company's businesses. The Company has also established a whistleblowing policy to set out procedures that need to be followed by our employees for reporting any grievance or suspected cases of corruption, malpractices and frauds. The nature of the report and identity of the employee making such report (whistle blower) shall be protected in strict confidence.

# Corporate Governance Report

## Inside Information

The Group provides general guidance to the Directors, the management and relevant staff to handle inside information and to ensure that the dissemination of inside information to the public is in an equal and timely manner according to the relevant laws and regulations.

Control measures implemented to ensure:

- (i) The access of information is restricted to a limited number of employees on a need-to-know basis.
- (ii) Confidentiality agreements are in place when the Company enters into significant negotiations.
- (iii) Unauthorised access and use of inside information are strictly prohibited.
- (iv) The Directors, the management and relevant staff who are authorised to access to inside information be aware of the responsibilities to safeguard and preserve information confidentiality, and prohibited to abuse or misuse of such information.
- (v) The Directors, the management and relevant staff who accessed to inside information are prohibited to abuse or misuse of such information.

## Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

- (i) to develop and review the Company's policies and practices and make recommendation to the Board on corporate governance matters;
- (ii) to review and monitor the training and continuous professional development of directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to employees and directors; and
- (v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

In the year of 2022, there were three (3) out of seven (7) Board meetings held to deal with corporate governance functions such as review of periodic management accounts, whistleblowing policy, and internal controls of the Group, and the implementation of board independence evaluation mechanism of the Company.

# Corporate Governance Report

## Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the “Policy”) that sets out the Company’s approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company’s website at [www.tfginternationalgroup.com](http://www.tfginternationalgroup.com).

During the year of 2022, the Board had two (2) female members out of six (6) members. The Board is characterised by diversity whether considered in terms of age, gender, cultural and professional background, knowledge and skills.

## EXTERNAL AUDITORS’ REMUNERATION AND AUDITOR RELATED MATTERS

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2022 is set out below:

	HK\$’000
Types of services	
Audit fees to the auditors of the Group	
— for current year	838
— under provision for previous years	—
Taxation services and other services	205
Total	1,043

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and relevant employees of the Company. Having made specific enquiry to the Directors and relevant employees, all the Directors and relevant employees confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

## GOING CONCERN AND MITIGATION MEASURES

Details of the going concern and mitigation measures of the Group are set out in section “Management Discussion and Analysis” on pages 6 to 9 and note 2 to the financial statements.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS

### Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders including:

- (i) corporate communications such as annual reports, interim reports and circulars which are issued in printed form and are available on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.tfginternationalgroup.com](http://www.tfginternationalgroup.com);
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;
- (iv) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

According to the Articles of Association of the Company, the notice of general meeting to Shareholders is to be sent in the case of an AGM at least 21 days before the meeting and to be sent at least 14 days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

### Details of the General Meetings held in 2022

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting. Code provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

## EGM of the Company held on 22 April 2022

An EGM of the Company held on 22 April 2022 was to approve, confirm and ratify a disposal agreement dated 5 November 2021 entered into between the Company as vendor, Grand Fullwell Investment Holding Limited as purchaser and Mr. Yang Lijun as guarantor in relation to the disposal of the entire issued share capital of Ceneric Properties Limited, a direct wholly owned subsidiary of the Company at the aggregate consideration of HK\$282,000,000. The Guarantor, Mr. Yang Lijun, was an executive Director, the chairman of the Company and a controlling Shareholder, and the entire issued share capital of the Purchaser was indirectly wholly-owned by the guarantor. Accordingly, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated constitutes a connected transaction of the Company which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Thus, Mr. Yang Lijun abstained from voting at and was absent from the EGM. However, one (1) of the executive Directors took the chair of the EGM, and one (1) non-executive Director and two (2) independent non-executive Directors were present to be available to answer any question to ensure effective communication with the shareholders.

## AGM and EGM of the Company held on 27 June 2022

Because of COVID-19 pandemic and/or other business engagements, two (2) executive Directors, one (1) non-executive Director, and one (1) independent non-executive Director could not attend the AGM and the EGM of the Company, which were held on 27 June 2022 respectively. However, there were two (2) independent non-executive Directors presented to enable the Board to develop a balanced understand of the views of the shareholders.

Mr. Yang Lijun, the chairman of the Board could not attend the AGM and the EGM of the Company, which were held on 27 June 2022 respectively because of COVID-19 pandemic. However, two (2) of the independent non-executive Directors, Ms. So Wai Lam and Mr. Sung Yat Chun, took the chairs of the AGM and the EGM, respectively. They were present to be available to answer any question to ensure effective communication with the shareholders.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of the voting rights of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under the Articles of Association by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.



# Corporate Governance Report

## Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in Articles of Association and (unless the Company otherwise resolves) at the expense of the requisitionists:

- (i) to give to members entitled to receive notice of the next annual general meeting any resolution which may properly be moved and is intended to be moved at that meeting; and
- (ii) to circulate to members entitled to receive notice of any General Meeting a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Shareholders of the Company may make written enquiries to the Board, either by post or by facsimile, together with his/her/its contact details, such as postal address or fax, addressing to the principal place of business of the Company at Rooms 1301 and 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong or facsimile number at (852) 3188 6631.

## Procedures for Proposing a Person for Election a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the “Corporate Governance” section (“Procedure for election of Directors” sub-section) of the Company’s website at [www.tfginternationalgroup.com](http://www.tfginternationalgroup.com).

## Procedures for Directing Shareholders’ Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at [finance@tfginternationalgroup.com](mailto:finance@tfginternationalgroup.com) (for finance matters) and/or [cosec@tfginternationalgroup.com](mailto:cosec@tfginternationalgroup.com) (for company secretarial matters) or by post to the Company’s principle place of business at Rooms 1301 and 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business. The Company endeavors to maintain an on-going dialogue with shareholders and particularly, through annual general meeting and other general meetings. The website of the Company at [www.tfginternationalgroup.com](http://www.tfginternationalgroup.com) has provided an effective communication platform to the public and the shareholders.

# Corporate Governance Report

## **AMENDMENTS TO THE COMPANY'S MEMORANDUM AND ARTICLES OF ASSOCIATION**

A special resolution was passed by the shareholders of the Company at an EGM held on 27 June 2022 to make certain amendments to the memorandum and articles of association of the Company for the purposes of, amongst other things (i) conforming to a uniform set of 14 core standards for shareholder protections as required by Appendix 3 of the Listing Rules with effect from 1 January 2022 onwards; and (ii) allowing general meetings of the Company to be held as an electronic meeting or hybrid meeting.

## **CORPORATE GOVERNANCE ENHANCEMENT**

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

# Environmental, Social and Governance Report

## ABOUT THE REPORT

This is the seventh Environmental, Social and Governance (“ESG”) report of TFG International Group Limited (the “Company”) (Stock code: 542) and its subsidiaries (collectively, the “Group”). How the Group addressed ESG related issues that are material for its long-term success as well as to the environment, society and economy during the year 2022 is described in this report, for the benefit of all stakeholders.

This report is published in Chinese as well as English. The English version shall prevail if any discrepancy between the two versions is identified. For governance section, please refer to our 2022 Annual Report from page 24 to page 41.

## Reporting Guidelines

This ESG report complies with requirements stipulated in the ESG Reporting Guide under Appendix 27 to the Listing Rules. The principles of materiality, quantitative, consistency and balance have been followed in the report’s preparation. The report clearly states which data have been estimated and the underlying assumptions and techniques used for the estimation, or where that information can be found. Also, any significant variations between reporting periods for individual material topics, topic boundaries, length of reporting period, or information covered in the report are explained.

## Reporting Boundary

This report covers ESG performance of the Company’s Hong Kong headquarters and business operations in China with revenue of approximately HKD1,601.8 million, which includes property development business in Hengqin, Doumen and Chengdu, China, and hotel business (La Palazzo Hotel) in Maoming, China.

## Feedback

We value your feedback and believe it helps us improve not only the report but also performance. Please feel free to contact us for any questions or comments at [info@tfginternationalgroup.com](mailto:info@tfginternationalgroup.com).

# Environmental, Social and Governance Report

## BOARD STATEMENT

The Group's main business is property development and hotel business, both in Mainland China, and it is committed to operating both in an environmentally and socially responsible manner since then only it can produce long-term value.

We have a governance framework in place to ensure our ESG performance and related policies are properly managed. The Board takes the ultimate responsibility of overseeing management of ESG risks and climate-related risks and formulating the related strategies. Procurement, Operations, Human Resources & Administration, Finance and Legal departments support and implement actions related to these aspects in the course of everyday operations.

This annual ESG report provides details the way the Group addresses ESG-related risks and opportunities in its property development and hotel business operations. Performance in these matters is regularly reviewed and evaluated against set targets by the Board of Directors to ensure environmental impacts of our operations are being minimized on an ongoing basis. The Board of Directors of the Company hereby confirms that it has reviewed and approved the report.

On behalf of the Board

**Yang Lijun**

*Chairman*

Hong Kong, 29 March 2023

# Environmental, Social and Governance Report

## OUR MATERIALITY

The Group has defined specific process to determine materiality of different sustainability topics, which considers interests and expectations of its stakeholders.

Customers, employees, suppliers, government departments, local communities, and the general public are our stakeholders and are affected by our ESG management approach and performance. We use different ways of communicating with stakeholders to identify their concerns and to inform them about actions we take to address their concerns.

Stakeholder	Topic of concerns	Channels of communication
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Full compliance with regulations</li> <li>• Product and service quality</li> <li>• Ethical marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Guest services counter in hotel</li> <li>• Service hotline</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Occupational health and safety</li> <li>• Career development opportunities</li> <li>• Corporate culture and engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Media platform</li> <li>• Welcoming Ambassador</li> <li>• Employee activities</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Long-term partnership</li> <li>• Ethical business practices</li> <li>• Supplier assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• In-person meeting</li> <li>• Supplier audit</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Environmental and safety compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory policies training</li> <li>• In-person meeting</li> </ul>
<b>Community and General public</b>	<ul style="list-style-type: none"> <li>• Community engagement initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteering and donation</li> </ul>

After obtaining feedback from different groups of stakeholders through different channels, internal discussions are held to determine the relative importance of different sustainability indicators. Identified material topics are assigned different priorities, on the basis of their likely impact on the environment and community, the Group's business operations and the degree of concerns raised by shareholders, besides the likelihood of occurrence. The Board gives the final approval of decisions in this context. Five material topics identified by us are: **Emissions and Waste, Energy Efficiency, Anti-corruption, Product Quality and Safety, and Employee Engagement.**

## MANAGING OUR ENVIRONMENTAL IMPACT

The Group firmly believes that long-term growth and success is possible only by ensuring sustainability and strives to operate in an environmentally responsible manner. Our headquarters in Hong Kong constitute an entirely office-based operation, with limited environmental impacts.

# Environmental, Social and Governance Report

Major environmental impacts of our operates emanate from property development and hotel businesses in Mainland China. La Palazzo Hotel in Maoming, China is operated by a licensee, but its environmental performance is covered by our integrated management system. We ensure that not only the hotel employees, but its customers are also encouraged to follow environment-friendly initiatives and the licensee is required to comply with relevant environmental laws and regulations.

There were no instances of non-compliance of laws and regulations relating to air and greenhouse gases emissions, discharges of wastage into water and land, and generation of hazardous and non-hazardous waste that could have a significant impact on the Group during the year.

## Climate Change

Climate change can affect our activities in a serious way, and we are fully conscious of this. Typhoons, floods and other extreme weather events can have adverse effects on our daily business operations. In order to be ready to respond to any such events, we have formulated a Climate Policy which articulates ways of managing the risks associated with climate change. To ensure the availability of relevant information and resources for monitoring the impacts of climate change on employees and business operations, it is reviewed periodically and suitable actions are taken to address any deficiencies.

## Resources Consumption

Electricity, natural gas, petrol and water are the major resources consumed by the Group. During the year, our operations consumed 3,893,241 kWh of electricity, 44,172 cubic metres of natural gas and 11,412 litres of petrol.

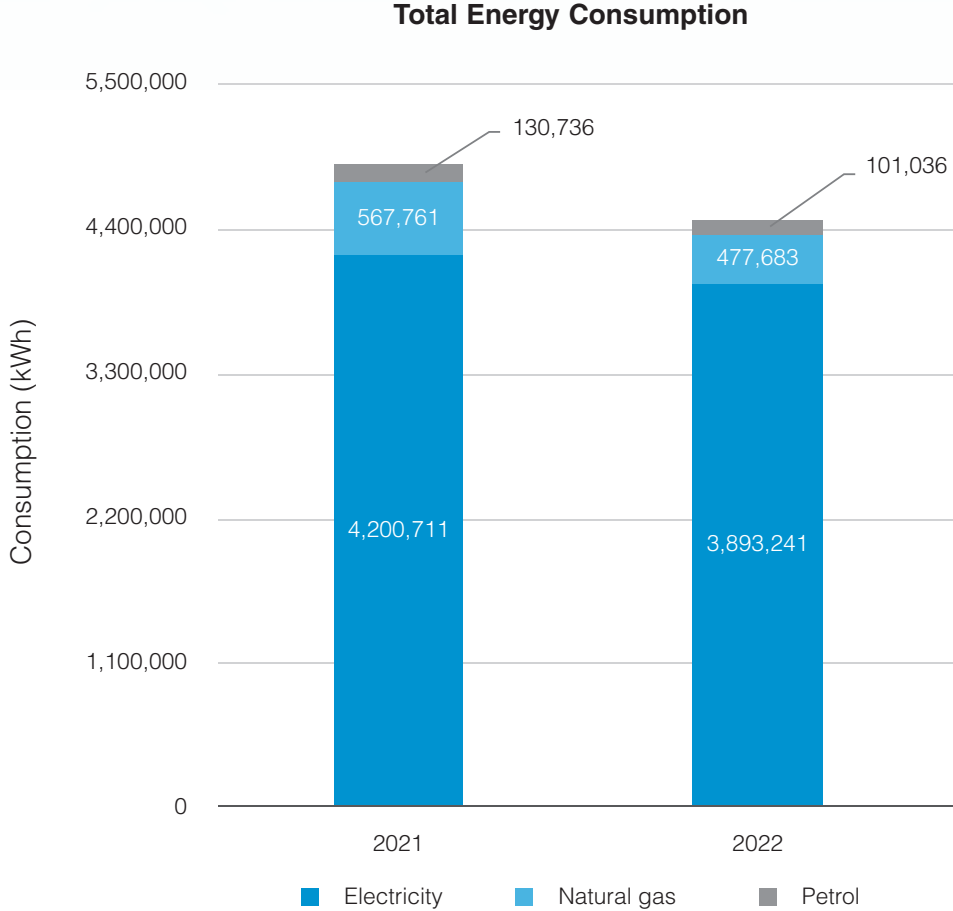
Resource Type	2022	2021	Change
Electricity — Headquarter (kWh)	<b>15,659</b>	1,472	+964%
Electricity — Hotel business (kWh)	<b>3,682,030</b>	3,990,000	-8%
Electricity — Property development (kWh)	<b>195,552</b>	209,269	-7%
Natural gas (m <sup>3</sup> )	<b>44,172</b>	52,502	-16%
Petrol (litres)	<b>11,412</b>	14,767	-23%
Total energy consumption (kWh)	<b>4,471,960</b>	4,899,238	-9%
Energy intensity (kWh/HK\$'000)	<b>2.8</b>	630.2	-100% <sup>2</sup>

<sup>1</sup> List of applicable laws and regulations available in "Laws and Regulations".

<sup>2</sup> The energy intensity was significantly reduced due to the increased revenue in 2022.

# Environmental, Social and Governance Report

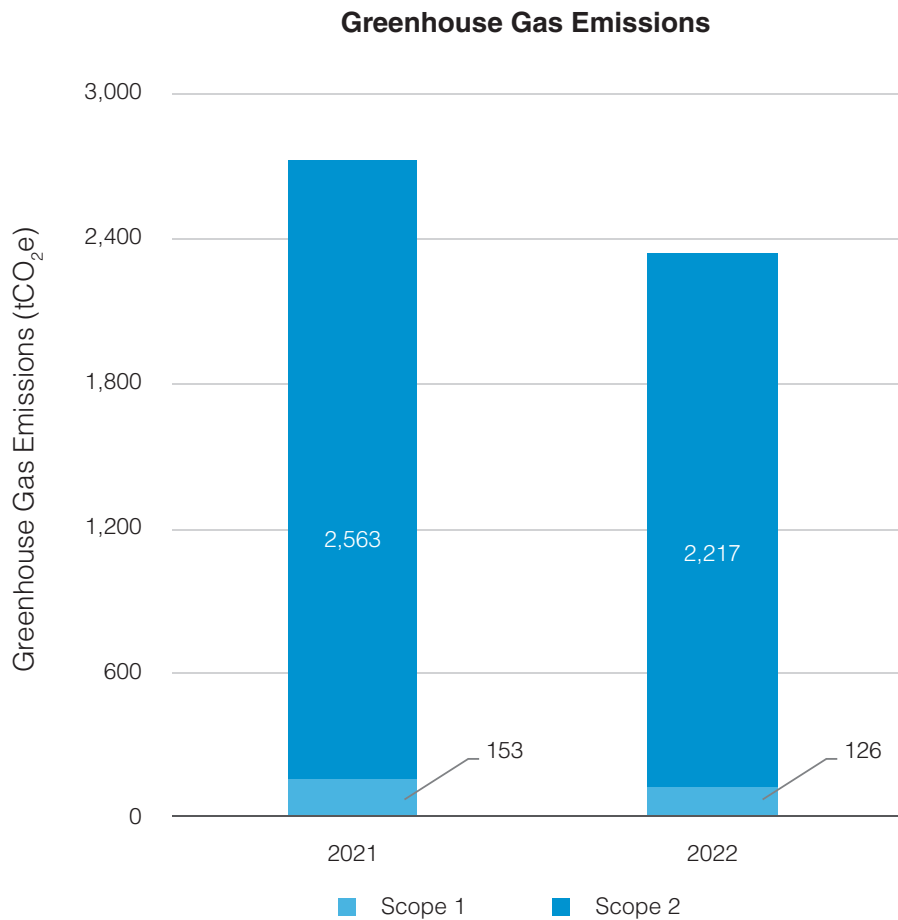
During the year, the Group consumed a total of 4,471,960 kWh of energy, which represents a 9% reduction as compared to that of previous year. The energy intensity is 2.8 kWh per thousand HKD revenue.



# Environmental, Social and Governance Report

## Carbon Emissions

During the year, aggregate greenhouse gas (“GHG”) emissions were 2,343 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>e”), of which direct emissions attributed to fuel consumption of vehicles and combustion of natural gas (Scope 1) were 126 tCO<sub>2</sub>e. Indirect emissions (Scope 2) attributed to electricity purchased were 2,217 tCO<sub>2</sub>e. Purchased electricity accounted for 95% of total GHG emissions.



To reduce carbon emissions by our operations, we have set the following targets:

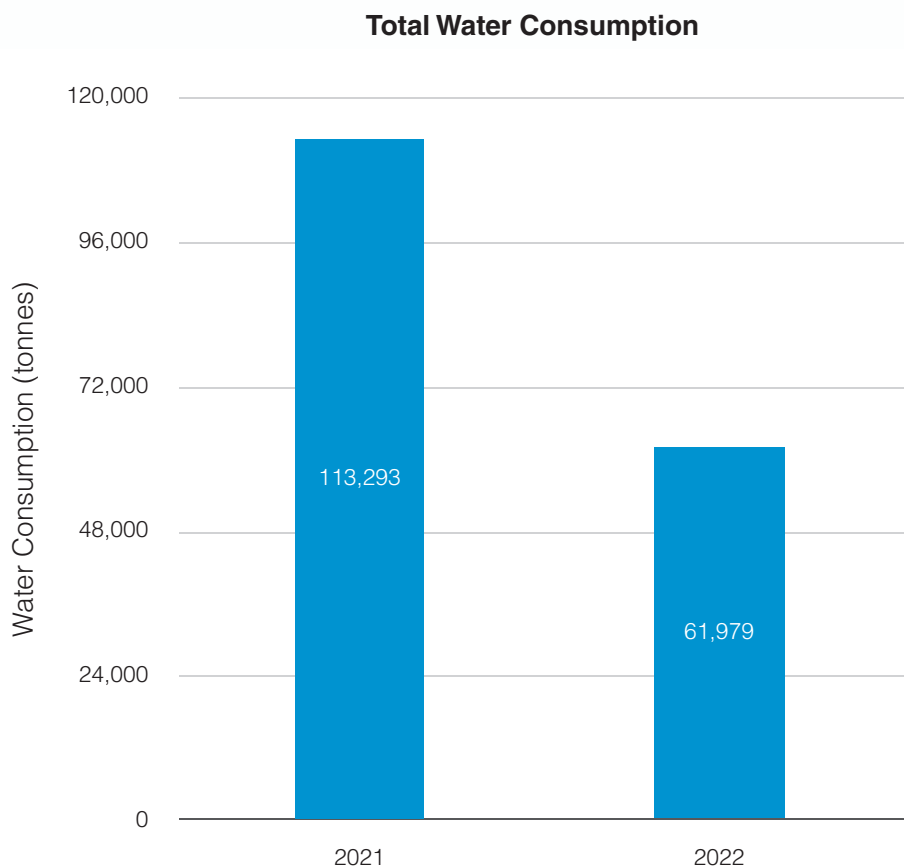
KPI	Target(s)
A1.5 Emission Reduction	Full switch to electric vehicles by 2030
A2.3 Energy Efficiency	Gradually move towards 100% electrical appliances with energy-saving labels



# Environmental, Social and Governance Report

## Water Consumption

The Group has faced no issue in sourcing water fit for the purpose. During the year, we consumed a total of 61,979 tonnes of municipal water, with an intensity of 0.04 tonnes per thousand HKD revenue<sup>3</sup>.



We have set target for reducing water consumptions as follows:

KPI	Target(s)
A2.4 Water Efficiency	The proportion of water-saving devices is gradually moving towards 100%

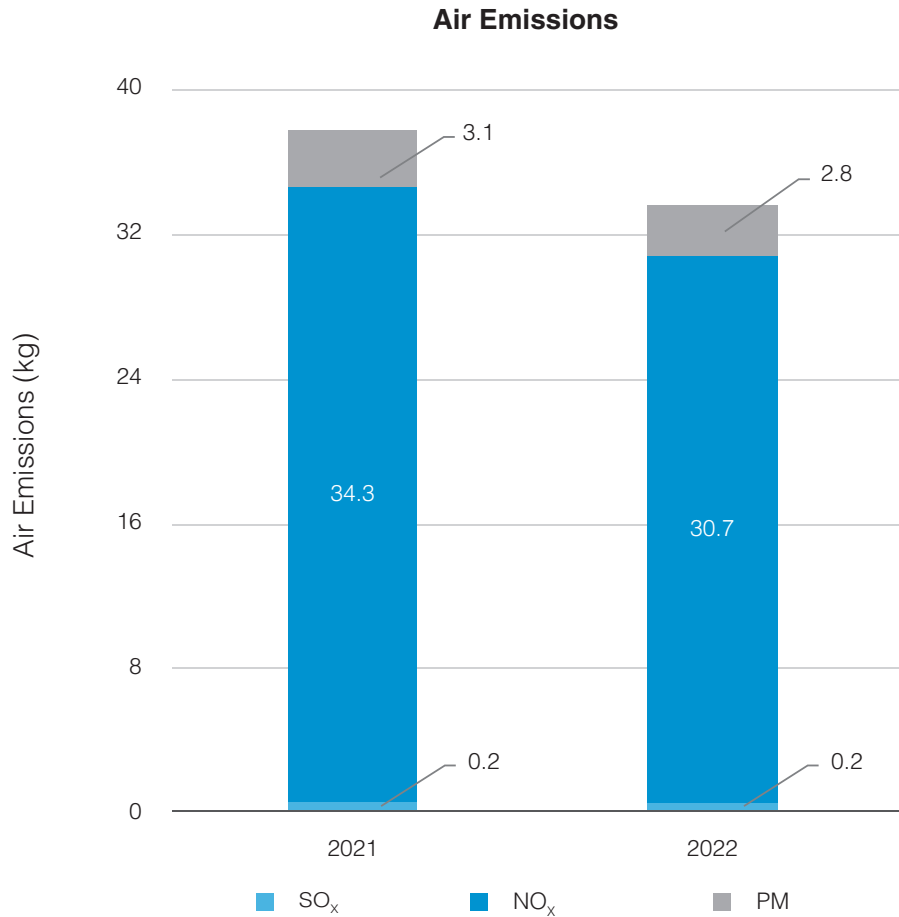
There are certain green initiatives implemented by the Group such as installation of water recirculating systems and flow restrictors for water taps in the Group's various projects, and the use of swimming pool water for toilet flushing and sanitary purposes in the Group's hotel business.

<sup>3</sup> The water intensity was significantly reduced due to the increased revenue in 2022.

# Environmental, Social and Governance Report

## Air and Waste Emissions

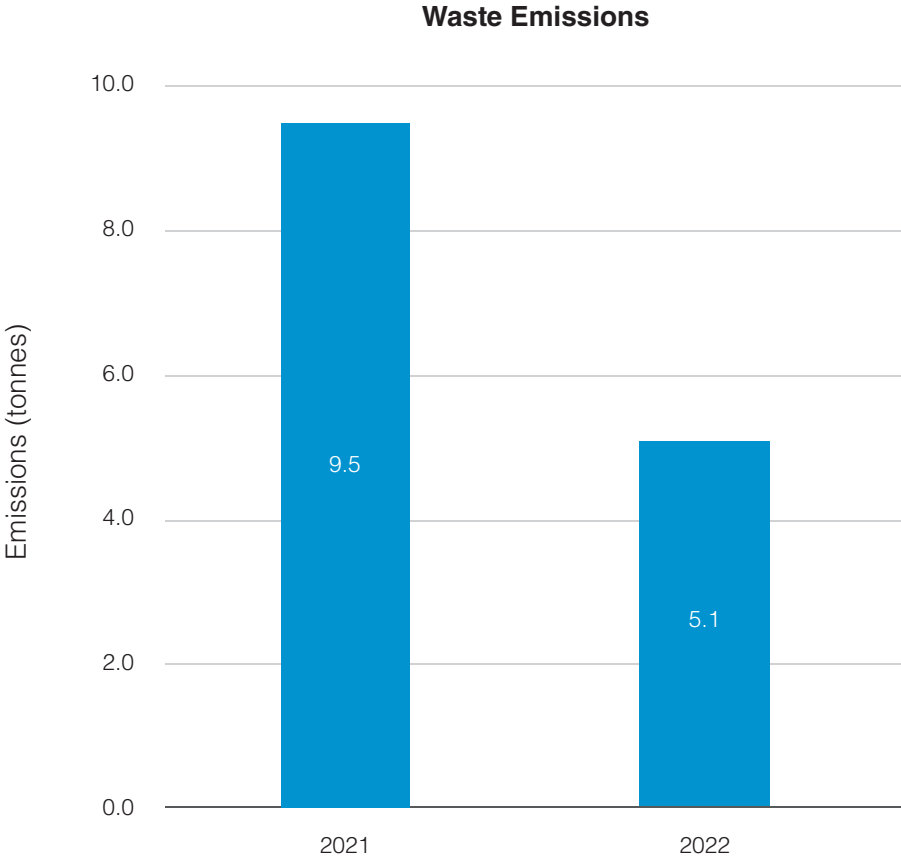
Our vehicles generated 0.17 kg of sulphur oxides (SO<sub>x</sub>), 30.73 kg of nitrogen oxides (NO<sub>x</sub>) and 2.83 kg of particulate matter (PM) in 2022. Contractors are required to use sprinklers and protective nets at construction sites to control dust from operation of construction machinery and vehicles. Indoor air quality at the hotel is controlled by a suitable air ventilation and treatment system. Water type exhaustion hood is used to filter fumes from kitchens before it is discharged.



# Environmental, Social and Governance Report

Waste management is an important matter for us, particularly because our hotel operations generate a considerable amount of waste. We have ensured that handling of food and recyclable waste generated at the hotel is outsourced from authorised waste collectors and recycling agencies. Other non-hazardous waste is collected by the Municipal Hygiene Department. Some hazardous waste is generated at property development projects, and this is managed separately by an authorised agency. This helps avoid mixing of non-hazardous and hazardous waste.

Hazardous waste generated in 2022 was 0 tonnes and non-hazardous waste was 5.1 tonnes, comprising food waste, domestic waste and recyclable waste. During the year, our operations did not generate any packaging materials waste.



# Environmental, Social and Governance Report

## Promoting Green Measures

The Group applies green building concepts in its property development projects. Environmental impact assessments are consistently conducted before commencement of a new construction project. The Group uses a number of systems and devices to minimise consumption of energy and water resources. The Group monitors outcome of the implementation of green measures on a regular basis.

The Group designs buildings that shall provide sufficient natural lighting and ventilation of quality indoor air so as to reduce energy consumption. The Group implements a solar system and uses waste heat from the laundry for water heating. Cold air is used for cooling the elevator room, shaft and the bridge box, which in turn helps to save energy otherwise consumed for air-conditioning. Reduction in energy usage is set as a motivation target in annual staff performance evaluation of the Group.

In alignment with energy saving incentive and penalty scheme of the government, the Group rewards or penalises operating departments for meeting (or failing to meet) energy saving targets, and provides trainings to enhance employees' knowledge of energy conservation.

# Environmental, Social and Governance Report

## OUR PEOPLE

Competent and loyal people are viewed by the Group as the key to its growth as a business organization. We are very particular about attracting and retaining talented personnel at all levels, including workers, supervisors and managers. For this we use properly designed and tested policies that protect rights of all employees, ensuring they receive their due benefits.

### Employee Composition

We employed a total of 238 employees as on 31 December 2022, of which 6 were based in Hong Kong, 232 in Mainland China. The male to female ratio was approximately 1:2. Majority of employees were aged between 30 and 50, comprising 78% of the entire workforce. Around 26% of our employees have a university degree or higher educational qualifications.

<b>Employee distribution</b>	<b>As of 31 December 2022</b>
<b>Gender profile</b>	
Male	79
Female	159
<b>Age profile</b>	
Under 30 years old	40
Between 30 and 50	185
Over 50 years old	13
<b>Educational profile</b>	
University or above	62
Below university	176
<b>Professional profile</b>	
Management	75
General staff	163

During the year, the overall employees' turnover rate was 43% whereas the new hire rate was 26%. Profiles of turnover and new hire rates in terms of gender and age are as below.

<b>Employee distribution</b>	<b>Turnover rate</b>	<b>New Hire rate</b>
<b>Gender profile</b>		
Male	43%	20%
Female	43%	29%
<b>Age profile</b>		
Under 30 years old	95%	18%
Between 30 and 50	31%	26%
Over 50 years old	54%	46%

# Environmental, Social and Governance Report

The Employee Handbook of the Group describes the approach to issues related to recruitment, dismissal and promotion. It is ensured that there is no child or forced labour employed by stringent checks and compulsory verification of identity cards before hiring. No cases of use of child or forced labour were reported during the year.

## Employee Benefits and Rights

Remuneration packages of our employees are either the same as or higher than the industry average. A Remuneration Committee reviews salaries and wages paid to existing employees. Industry trends as well as individual performance is considered when deciding increments or promotions. We ensure that individual performance of every employee is suitably rewarded. Those assigned special duties are provided adequate compensation for the same, including night shift allowances. Our other benefits include discretionary bonus, stock options and post-retirement benefits.

The Group is conscious of the fact that maintaining a work-life balance is necessary for employees to deliver consistently satisfactory performance. For this purpose, we keep organising activities such as birthday parties and company sponsored tours which also help develop a sense of bonding among the staff. Outstanding performances are recognized by way of prizes and certificates. A Love and Care Fund, operational since 2014, helps those facing financial difficulties because of special circumstances.

We understand the need for maintaining ethical behaviour by all employees and therefore have set up a mechanism to help employees report any unethical acts. Only supervisors or managers can handle communications received in this context. During the year, there was no instance of non-compliance with laws and regulations<sup>4</sup> related to human resources that could have had a significant impact on the Group.

## Health and Safety

It is the responsibility of our management to provide a safe working environment to employees so as to address safety risks at different business units. We comply with all laws and regulations related to health and safety of workers.<sup>5</sup>

### Mitigating safety risks

We constantly strive to identify potential hazards and risks by monitoring probable sources. Safety of our personnel can be greatly enhanced by informing them about possible safety control measures and instructions in advance and providing protective equipment like helmets, high visibility clothing and safety harness.

Safety training is provided to all employees at the hotel. Employees at construction sites, including those working for contractors, are trained to handle such incidents as fire, electric shock, mechanical injury and other types of accidents. Regular emergency drills ensure preparedness on part of all employees. During the year, the Group recorded a total of 127 hours of safety training and 397 person-times.

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<sup>4 and 5</sup> List of applicable laws and regulations available in "Laws and Regulations".

# Environmental, Social and Governance Report

In the event of one or more workers suffering injury in the course of work, all concerned departments are informed immediately to ensure the required treatment for all injured persons. For future reference details of such incidents are required to be documented within 12 hours. This helps analysis of the causes and identification of any possible steps that may help prevent recurrence. There have been no work-related accidents or injuries in the past three years. During the year under report, the Group's management was not aware of any violation of relevant laws and regulations that could have had a significant impact.

## Combating COVID-19

Impact of break out of the COVID-19 pandemic on business operations also persisted in 2022. Work practices have been adjusted in tune with what is needed to guard against employees getting infected. All government mandated restraints such as work premise closure and personnel movement restrictions are followed in letter and in spirit.

Risks arising because of the pandemic are being addressed proactively and the Group continues to cooperate with local government strategies. We require that all employees be subjected to mandatory temperature screening and hand sanitisation before they enter work premises. For ensuring that employees understand the importance of adhering to pandemic related restraints, we communicate with them regularly and make them aware of the need for maintaining personal hygiene and following social distancing norms.

## Development and Training

We are convinced that providing adequate training to employees for keeping their knowledge, skills and experience up-to-date is as important as hiring talented people. Therefore, on-the-job training, operational training and cross-training programmes are accorded high priority and external professionals, or educational institutions are engaged when required. During the year, a total of 1,092 training hours and 349 person-times were recorded, which means 147% of employees trained. The breakdown of average training hours and percentage of trained employees by gender and function are as follows:

	Average training hours	Percentage of employees trained
<b>By Gender</b>		
Male	3.58	200%
Female	2.76	120%
<b>By Function</b>		
Management	3.07	269%
General Staff	3.21	90%

## OUR OPERATION

The Group uses diverse communication channels for receiving feedback from customers and addressing any concerns they might have from time to time. This enables us to address any complaints in a proper and prompt manner. We have documented a set of guidelines our staff has to follow to ensure customer satisfaction, as well as compliance with related and relevant laws and regulations.<sup>6</sup>

<sup>6</sup> List of applicable laws and regulations available in "Laws and Regulations".

# Environmental, Social and Governance Report

## Quality Management

In real estate projects, quality of construction is maintained by following some set procedures. Construction materials and equipment of only the best available quality are used and all received materials and equipment are thoroughly checked before they are put to use. Third-party inspections of construction materials and equipment are mandated where required and in some cases the suppliers are asked to provide quality certification.

Food safety and hygiene are a part of the process of quality control in the hotel business. Use of non-edible cooking media and restrictive additives has to be avoided at all costs. Meticulous records of sources are maintained so that we can correctively actions in case of any problems. Hygiene is assured by use of professional cleaning tools and equipment.

In the hotel business, ensuring physical safety of guests is also a major concern. Sometimes medical assistance needs to be provided to guests. A close-circuit TV monitoring system helps us remain alert to provide 24-hour support to guests. Also, the licensee is required to provide training programmes to the staff regularly and these programmes include coverage of areas such as preparedness for natural disasters, fire, sabotage, theft and other incidents of an emergency nature. The Employee Handbook lists the standard procedures that the staff should follow when handling emergencies.

During the year, the Group was not aware of any incidents of non-compliance with laws and regulations<sup>7</sup> that can have a significant impact in respect of health and safety, advertising, labelling and privacy concerns of hotel customers.

## Supply Chain Management

It is necessary to ensure that the entire supply chain runs smoothly at each stage. Close and stable relationships are thus maintained with business partners by the Group. In the year 2022, we had 123 suppliers and all of them from Mainland China.

Besides ensuring that quality of construction materials is certified we also perform random inspections. Any problems or issues are sorted out by holding discussions with suppliers or contractors and appropriate follow-up actions are taken in the event of violation of norms. When necessary we issue warnings to suppliers to comply with stipulated quality standards and if they fail to improve performance, we would blacklist the erring suppliers.

Comprehensive evaluation is carried out before we engage a firm or contractor for supplies of goods and services. Records of supplies are maintained to control product quality and safety. Besides ensuring price and quality, suppliers are also required to hold the applicable permissions and licenses, which are checked and verified from time to time. Customer feedback also helps assess the quality of inputs used and for this purpose we interact with customers on an ongoing basis.

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<sup>7</sup> List of applicable laws and regulations available in "Laws and Regulations".



# Environmental, Social and Governance Report

## Privacy Protection

Personal information of customers is used and stored in full compliance with the relevant laws and regulations.<sup>8</sup>

Responsibility of protecting the growing mass of data is assigned to department heads and Personnel Administration Officer in case of the hotel business. All data and information are graded according to the need for confidentiality and access is allowed to officer at different levels of management accordingly. In principle, we treat all customer information as “confidential”. The Security Department strictly monitors information safety management.

All employees who handle sensitive data and information are asked to sign confidentiality agreements and they take the responsibility for protecting information against unauthorised access and misuse. Besides customer Information designs, banners, billboards, newspaper advertisements, new dishes and recipes for food and beverages and other internal plans of our hotel are also viewed as information that should remain confidential.

## Anti-corruption

Zero tolerance of corruption, blackmail, fraud and money laundering is the Group's declared policy. The Code of Conduct applicable to all personnel clearly spells out the guidelines that need to be followed as well as the consequences of any violations. Appropriate channels are available to all employees for reporting any grievance or reporting suspected cases of corruption.

Anti-corruption training is also provided to the staff in order to help them comprehend what constitutes corruption or inappropriate acts and the value of honesty and integrity. The Group's senior management participates in online webinars or courses relating to anti-corruption. Providing guidelines and training, as well as suitable information materials such as books and magazines to directors and employees helps reduce the risk of corruption in the organization.

During the year, we were not aware of any non-compliance with laws and regulations<sup>9</sup> that could have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

## COMMUNITY CARE

The Group believes fulfilling the responsibility towards welfare of communities at places where it operates is as important as earning profit. We go to great lengths to ensure we are a socially responsible organization and a good corporate citizen. Participation in diversified community services by employees is encouraged as a matter of policy. We also organize events like blood donation camps and cooperate with colleges and universities to help support students needing help. We intend to explore opportunities for contributing more to the local community in the future.

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<sup>8 and 9</sup> List of applicable laws and regulations available in “Laws and Regulations”.

# Environmental, Social and Governance Report

## LAWS AND REGULATIONS

The Group has designed and implemented policies for addressing each material issue related to ESG and ensures compliance with all applicable laws and regulations. The list of applicable laws and regulations is as follows:

Aspect	Applicable Laws and Regulations	Section/Remarks
<b>Environmental Management</b>	<ul style="list-style-type: none"> <li>• Law of the People's Republic of China on Conserving Energy</li> <li>• Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution</li> <li>• Regulations of Guangdong Province on Conserving Energy in China</li> <li>• Energy Consumption Limits of Hotels and Shopping Malls in Guangdong Province (Trial) in China</li> <li>• Catering Industry Fume Emissions Standards in China</li> <li>• Integrated Wastewater Discharge Standards in China</li> </ul>	MANAGING OUR ENVIRONMENTAL IMPACT
<b>Labour Standards</b>	<ul style="list-style-type: none"> <li>• Employment Ordinance in Hong Kong</li> <li>• Labour Law of the People's Republic of China</li> <li>• Labour Contract Law of the People's Republic of China</li> <li>• Law of People's Republic of China on Protection of Disabled Persons</li> <li>• Provisions on the Prohibition of Using Child Labour in China</li> </ul>	OUR PEOPLE
<b>Workplace Health and Safety</b>	<ul style="list-style-type: none"> <li>• Production Safety Law of the People's Republic of China</li> <li>• Law on Prevention of Occupational Disease of the People's Republic of China</li> </ul>	Health and Safety
<b>Food Safety</b>	<ul style="list-style-type: none"> <li>• Food Safety Law of the People's Republic of China</li> <li>• Measures for the Supervision and Administration of Food Safety in Catering Services in China</li> <li>• Standard Requirements for Catering Service Industry in China</li> <li>• Food Safety Regulations in Guangdong Province in China</li> <li>• Publicity Requirements on Food Additives Use in China</li> </ul>	Quality Management
<b>Anti-Corruption</b>	<ul style="list-style-type: none"> <li>• Prevention of Bribery Ordinance in Hong Kong</li> <li>• Criminal Law of the People's Republic of China</li> <li>• Anti-Unfair Competition Law of the People's Republic of China</li> </ul>	Anti-Corruption

# Environmental, Social and Governance Report

## PERFORMANCE DATA SUMMARY

		2022	2021
<b>Workforce</b>	<b>Total Headcount</b>	<b>238</b>	<b>282</b>
<b>Demographics</b>	By Geographical Distribution		
	Hong Kong (Headquarters)	6	10
	Mainland China — Property development	38	63
	Mainland China — Hotel business	194	209
	By Age Group		
	Under 30 years old	40	66
	Between 30 and 50	185	179
	Over 50 years old	13	37
	By Gender		
	Male	79	100
	Female	159	182
	By Education		
	University or above	62	83
	Below university	176	199
	By Functional		
	General staff	163	178
	Management staff	75	104
	<b>TOTAL</b>	<b>238</b>	<b>282</b>
<b>Health and Safety</b>	<b>Occupational Health and Safety Performance</b>		
	Number of accidents	0	0
	Lost person days due to work-related injuries	0	0
	Work-related fatalities	0	0
	<b>Safety Training</b>		
	Total person-times	397	454
	Total hours	127	560
<b>Environment</b>	<b>Total Resources Consumption (kWh)</b>	<b>4,471,960</b>	<b>4,899,238</b>
	Electricity (kWh)	3,893,241	4,200,741
	Natural gas (m <sup>3</sup> )	44,172	52,502
	Petrol (litres)	11,412	14,767
	Municipal water (tonnes)	61,979	113,293
	<b>Greenhouse Gases Emissions</b>		
	Total GHG emissions (tCO <sub>2</sub> e)	2,343	2,716
	Scope 1 (tCO <sub>2</sub> e)	126	153
	Scope 2 (tCO <sub>2</sub> e)	2,217	2,563
	<b>Air Emissions<sup>10</sup></b>		
	Sulphur oxides (SO <sub>x</sub> ) (kg)	0.17	0.22
	Nitrogen oxides (NO <sub>x</sub> ) (kg)	30.73	34.32
	Particulate matters (PM) (kg)	2.83	3.13
	<b>Waste</b>		
	Hazardous waste (tonnes)	0	0
	Non-hazardous waste (tonnes)	5.14	9.49

<sup>10</sup> Air emissions are calculated based on fuel consumptions of all company-owned vehicles.

# Environmental, Social and Governance Report

## ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
<b>A. Environmental</b>			
<b>Aspect A1: Emissions</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	MANAGING OUR ENVIRONMENTAL IMPACT	
	KPI A1.1	The types of emissions and respective emissions data.	Air and Waste Emissions
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Carbon Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Air and Waste Emissions
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Air and Waste Emissions
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Carbon Emissions  Air and Waste Emissions
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Carbon Emissions  Air and Waste Emissions

# Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
<b>Aspect A2: Use of Resources</b>	<b>General Disclosure</b> Policies on the efficient use of resources, including energy, water and other raw materials.	Resources Consumption  Promoting Green Measures
	KPI A2.1 Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Resources Consumption
	KPI A2.2 Water consumption in total and intensity.	Water Consumption
	KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Carbon Emissions  Promoting Green Measures
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Consumption  Promoting Green Measures
	KPI A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
<b>Aspect A3: The Environment and Natural Resources</b>	<b>General Disclosure</b> Policies for minimizing the issuers' significant impact on the environment and natural resources.	MANAGING OUR ENVIRONMENTAL IMPACT
	KPI A3.1 Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	MANAGING OUR ENVIRONMENTAL IMPACT
<b>Aspect A4: Climate Change</b>	<b>General Disclosure</b> Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
	KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

# Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
<b>B. Social</b>			
<b>Aspect B1: Employment</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	OUR PEOPLE  Employee Benefits and Rights	
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Composition
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Composition
<b>Aspect B2: Health and Safety</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	KPI B2.2	Lost person days due to work injury.	Performance Data Summary
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
<b>Aspect B3: Development and Training</b>	<b>General Disclosure</b> Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
	KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

# Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
<b>Aspect B4: Labour Standards</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	OUR PEOPLE
	KPI B4.1      Description of measures to review employment practices to avoid child and forced labour.	Employee Composition
	KPI B4.2      Description of steps taken to eliminate such practices when discovered.	Employee Composition
<b>Aspect B5: Supply Chain Management</b>	<b>General Disclosure</b> Policies on managing environmental and social risks of the supply chain	Supply Chain Management
	KPI B5.1      Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2      Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	KPI B5.3      Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4      Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

# Environmental, Social and Governance Report

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
<b>Aspect B6: Product Responsibility</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	OUR OPERATION	
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	KPI B 6.2	Number of products and service related complaints received and how they are dealt with.	N/A
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Privacy Protection
	KPI B6.4	Description of quality assurance process and product recall procedures.	Quality Management
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy Protection
<b>Aspect B7: Anti-corruption</b>	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
	KPI B7.1	Number of concluded legal cases regarding charges of corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
<b>Aspect B8: Community Investment</b>	<b>General Disclosure</b> Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY CARE	
	KPI B8.1	Focus areas of contribution.	COMMUNITY CARE
	KPI B8.2	Resources contributed to the focus area.	COMMUNITY CARE



# Independent Auditor's Report



**CCTH CPA LIMITED**  
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF  
**TFG INTERNATIONAL GROUP LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of TFG International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 147, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR DISCLAIMER OF OPINION

### Going concern

As disclosed in the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by approximately HK\$643,550,000. The Group's total financial obligations as at 31 December 2022 amounted to approximately HK\$1,494,821,000, of which approximately HK\$559,817,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$251,924,000.

Moreover, on 4 December 2022, an indirect wholly owned subsidiary of the Company failed to repay a loan of RMB66,300,000 (equivalent to HK\$75,045,000) to a financial institution. However, the negotiation with the financial institution is underway and no extensions to the repayment is granted up to the date of this report.

These events and conditions, together with other matters described in Note 2 to this report, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

## Independent Auditor's Report

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions, which are set out in Note 2 to this report. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the unconditionally undertaking to provide financial support for operation of the Group from Mr. YANG Lijun, the controlling shareholder of the Company;
- (ii) the successful negotiations with the lenders for the renewal of or extension for the repayment of loans and borrowings;
- (iii) the successful obtaining of additional new source of finance as and when needed; and
- (iv) accelerating the pre-sales of properties under development and speeding up the delivery of completed properties to property buyers.

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

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we are unable to form an opinion as to whether it is appropriate for the preparation of the consolidated financial statement on a going concern basis.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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.

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

# Independent Auditor's Report

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that include our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability for any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **CCTH CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 March 2023

### **YIM Kai Pung David**

Practising Certificate Number: P02324

Unit 1510–1517, 15/F., Tower 2,  
Kowloon Commerce Centre,  
No. 51 Kwai Cheong Road,  
Kwai Chung, N.T.,  
Hong Kong

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
REVENUE	8	<b>1,601,799</b>	7,774
Cost of sales	12	<b>(925,532)</b>	(3,596)
Gross profit		<b>676,267</b>	4,178
Other income and gains	9	<b>16,770</b>	5,535
Selling expenses		<b>(324)</b>	(9,925)
Administrative and other expenses		<b>(134,772)</b>	(154,913)
Gain on disposal of subsidiaries	11	<b>222,171</b>	–
Impairment of licensing right	22	<b>(3,258)</b>	–
Impairment of property under development	21	<b>(25,253)</b>	–
Impairment of goodwill	23	–	(50,290)
Finance costs	10	<b>(203,706)</b>	(135,687)
PROFIT/(LOSS) BEFORE TAX	12	<b>547,895</b>	(341,102)
Income tax expense	13	<b>(217,761)</b>	(404)
PROFIT/(LOSS) FOR THE YEAR		<b>330,134</b>	(341,506)
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>265,177</b>	(326,264)
Non-controlling interests		<b>64,957</b>	(15,242)
		<b>330,134</b>	(341,506)
		<b>HK cents</b>	HK cents
PROFIT/(LOSS) PER SHARE	17		
— Basic		<b>3.82</b>	(4.70)
— Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	<b>330,134</b>	(341,506)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>2,656</b>	10,838
Other comprehensive income for the year, net of tax	<b>2,656</b>	10,838
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<b>332,790</b>	(330,668)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	<b>265,877</b>	(316,308)
Non-controlling interests	<b>66,913</b>	(14,360)
	<b>332,790</b>	(330,668)

# Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	173,740	199,495
Right-of-use assets	19	45,260	48,336
Properties under development	21	1,592,856	1,549,801
Licensing rights	22	3,160	8,329
Goodwill	23	–	–
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,815,016</b>	1,805,961
<b>CURRENT ASSETS</b>			
Properties held for sale	25, 26	1,047,016	1,828,965
Inventory	27	941	–
Trade receivables	28	230	61
Prepayments, deposits and other receivables	29	215,196	294,445
Amount due from a director		170	–
Amount due from a non-controlling shareholder		283	–
Restricted bank balances	30	235,797	439,905
Cash and cash equivalents	31	16,127	46,669
		<b>1,515,760</b>	2,610,045
Assets of disposal group classified as held for sale	32	–	175,007
<b>TOTAL CURRENT ASSETS</b>		<b>1,515,760</b>	2,785,052
<b>TOTAL ASSETS</b>		<b>3,330,776</b>	4,591,013
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	33	966,040	658,450
Contract liabilities	37	386,981	1,974,806
Amount due to a non-controlling shareholder	34	–	2,142
Loans and borrowings	36	433,369	785,245
Promissory note payable	38	108,236	–
Amount due to a director	35	18,212	–
Tax payable		246,472	–
		<b>2,159,310</b>	3,420,643
Liabilities directly associated with assets of disposal group classified as held for sale	32	–	50,340
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,159,310</b>	3,470,983
<b>NET CURRENT LIABILITIES</b>		<b>(643,550)</b>	(685,931)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,171,466</b>	1,120,030

# Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	36	929,254	948,911
Amount due to a director	35	5,750	40,747
Promissory note payable	38	–	107,827
Long term lease liabilities	39	–	507
Deferred tax liabilities	40	87,516	145,239
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,022,520</b>	1,243,231
<b>NET ASSETS/(LIABILITIES)</b>			
		<b>148,946</b>	(123,201)
Share capital	41	69,464	69,464
Reserves		33,173	(233,033)
Equity/(deficit) attributable to owners of the Company		102,637	(163,569)
Non-controlling interests		46,309	40,368
<b>TOTAL EQUITY/(DEFICIT)</b>		<b>148,946</b>	(123,201)

**YANG Lijun**  
Director

**Gao Jingyao**  
Director

The Notes on pages 74 to 147 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium account HK\$'000	Property revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Capital reduction reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021	69,464	778,892	6,600	(9,093)	191,925	19,154	(904,203)	152,739	54,728	207,467
Loss for the year	-	-	-	-	-	-	(326,264)	(326,264)	(15,242)	(341,506)
Other comprehensive income for the year	-	-	-	9,956	-	-	-	9,956	882	10,838
Total comprehensive income/ (loss) for the year	-	-	-	9,956	-	-	(326,264)	(316,308)	(14,360)	(330,668)
At 31 December 2021	69,464	778,892	6,600	863	191,925	19,154	(1,230,467)	(163,569)	40,368	(123,201)
At 1 January 2022	<b>69,464</b>	<b>778,892</b>	<b>6,600</b>	<b>863</b>	<b>191,925</b>	<b>19,154</b>	<b>(1,230,467)</b>	<b>(163,569)</b>	<b>40,368</b>	<b>(123,201)</b>
Profit for the year	-	-	-	-	-	-	265,177	265,177	64,957	330,134
Other comprehensive income for the year	-	-	-	700	-	-	-	700	1,956	2,656
Total comprehensive income/ (loss) for the year	-	-	-	700	-	-	265,177	265,877	66,913	332,790
Disposal of subsidiaries	-	-	(6,600)	(4,879)	-	7,379	4,429	329	(60,972)	(60,643)
At 31 December 2022	<b>69,464</b>	<b>778,892</b>	-	<b>(3,316)</b>	<b>191,925</b>	<b>26,533</b>	<b>(960,861)</b>	<b>102,637</b>	<b>46,309</b>	<b>148,946</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		<b>330,134</b>	(341,506)
Income tax expense	13	<b>217,761</b>	404
Profit/(loss) before tax		<b>547,895</b>	(341,102)
Adjustments for:			
Finance costs	10	<b>203,706</b>	135,687
Bank interest income	9	<b>(1,044)</b>	(1,551)
Depreciation of property, plant and equipment	18	<b>19,206</b>	20,432
Depreciation of right-of-use assets	19	<b>2,470</b>	2,115
Amortisation of licensing rights	22	<b>1,882</b>	1,884
Impairment loss on property held for sale under development	21	<b>25,253</b>	–
Impairment of licensing rights	22	<b>3,258</b>	–
Impairment of goodwill	23	–	50,290
Loss on disposal of property, plant and equipment	12	<b>48</b>	78
Net foreign exchange losses		<b>22,553</b>	15,155
Gain on disposal of subsidiaries	11	<b>(222,171)</b>	–
Gain on modification of financial liabilities	9	<b>(13,714)</b>	–
<b>Operating cash flows before working capital changes</b>		<b>589,342</b>	(117,012)
Decrease/(increase) in properties held for sale under development		<b>671,522</b>	(164,483)
(Increase)/decrease in inventories		<b>(941)</b>	1,224
(Increase)/decrease in trade receivables		<b>(178)</b>	317
Decrease/(increase) in prepayments, deposits and other receivables		<b>78,815</b>	(159,702)
Decrease/(increase) in restricted bank balances		<b>175,452</b>	(173,853)
Increase/(decrease) in trade payables, other payables and accruals		<b>315,478</b>	(340,675)
(Decrease)/increase in contract liabilities		<b>(1,489,399)</b>	1,193,910
Decrease in amount due to non-controlling interest		<b>(2,323)</b>	(62,075)
<b>Cash generated from operating activities</b>		<b>337,768</b>	177,651
Income tax paid		<b>(28,824)</b>	(803)
<b>Net cash generated from operating activities</b>		<b>308,944</b>	176,848

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Bank and other interest income received		<b>1,044</b>	1,551
Purchase of property, plant and equipment		<b>(130)</b>	(172)
Proceeds from disposal of property, plant and equipment		<b>102</b>	246
Additions to properties under development		<b>(169,601)</b>	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	11	<b>253,587</b>	–
<b>Net cash generated from/(used in) investing activities</b>		<b>85,002</b>	1,625
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of loans and borrowings	43	<b>10,514</b>	66,357
Repayment of loans and borrowings	43	<b>(303,537)</b>	(149,751)
Payment of principal of lease liabilities	43	<b>(665)</b>	(146)
Interest paid	43	<b>(148,041)</b>	(100,104)
Drawdown of loans from directors	43	<b>26,557</b>	5,337
Repayment of loans from directors	43	<b>(43,517)</b>	–
<b>Net cash used in financing activities</b>		<b>(458,689)</b>	(178,307)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(64,743)</b>	166
Effect of foreign exchange rate changes, net		<b>(4,280)</b>	2,145
Cash and cash equivalents at 1 January		<b>85,150</b>	82,839
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>16,127</b>	85,150
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents analysed in note 31		<b>16,127</b>	46,669
Cash and cash equivalents included in assets of disposal group classified as held for sale		–	38,481
		<b>16,127</b>	85,150

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 1. CORPORATE INFORMATION

TFG International Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Rooms 1301 and 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Company’s shares are listed on the Main Board of the Stock Exchange.

During the year, the Group’s activities mainly comprised properties development, hotel business and retail sales in the People’s Republic of China (the “PRC”).

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets which are measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (Continued)

### Going concern basis

As disclosed in the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by approximately HK\$643,550,000. The Group's total financial obligations as at 31 December 2022 amounted to approximately HK\$1,494,821,000, of which approximately HK\$559,817,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$251,924,000.

Moreover, on 4 December 2022, an indirect wholly owned subsidiary of the Company failed to repay a loan of RMB66,300,000 (equivalent to HK\$75,045,000) to a financial institution. However, the negotiation with the financial institution is underway and no extensions to the repayment is granted up to the date of this report. These events and conditions, amongst other things, indicate the existence of uncertainties which may have impacts on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the unconditionally undertaking to provide financial support for the operation of the Group from Mr. YANG Lijun, the controlling shareholder of the Company;
- (ii) the successful negotiations with the lenders for the renewal of or extension for the repayment of loans and borrowings;
- (iii) the successful obtaining of additional new source of finance as and when needed; and
- (iv) accelerating the pre-sales of properties under development and speeding up the delivery of completed properties to property buyers.

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

### New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

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

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 4. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and the Group has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- i the contractual arrangement with the other vote holders of the investee;
- ii rights arising from other contractual arrangements; and
- iii the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Goodwill

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

After initial recognition, goodwill is measured at cost less any identified impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

### (c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Fair value measurement (Continued)

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

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### (d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment and depreciation

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

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

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

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 50%
Motor vehicles	20%

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

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

### (f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once each financial year.

The Group's intangible asset mainly consists of licensing rights.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases

#### Definition of a lease

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

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

#### The Group as a lessee

##### *Allocation of consideration to components of a contract*

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

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

##### *Short-term leases and leases of low-value assets*

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

##### *Right-of-Use Assets*

The cost of right-of-use asset includes:

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases (Continued)

#### The Group as a lessee (Continued)

##### *Right-of-Use Assets (Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

The lease payments includes:

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases (Continued)

#### The Group as a lessee (Continued)

##### *Lease liabilities (Continued)*

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

##### *Lease modifications*

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

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

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

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases (Continued)

#### **The Group as a lessor**

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term except for investment properties measured under fair value model.

### (h) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

### (i) Properties under development

Properties under development is stated at cost less impairment losses, if any. Cost of the properties includes purchase consideration, acquisition costs, development expenditure, interest and other direct costs attributable to such properties.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

### (k) Inventories

Inventories comprising hygiene products, foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### (l) Financial instruments

#### Financial assets

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses on change in fair value will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the right to receive payment is established.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### Financial assets (Continued)

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the consolidated statement of profit or loss and are included in "other losses". Interest income from these financial assets is included in finance income or other income using the effective interest method.

#### Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to recognise fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Where the Group elected to present equity investments at fair value through profit or loss, changes in the fair value of financial assets are recognised in the consolidated statement of profit or loss and are included in other gains/(losses).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### Financial assets (Continued)

##### (iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 53 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### Financial liabilities

##### (i) Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities at amortised cost include trade payables, other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable, lease liabilities and loans and borrowings.

##### (ii) Subsequent measurement

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

##### (iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Financial instruments (Continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (m) Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### (n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

### (o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 5(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### (q) Employee benefits

#### *Employee leave entitlements*

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

#### *Retirement benefits*

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

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

#### *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the preparation of the Group's consolidated financial statements, the assets and liabilities of group entities at end of the reporting period are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the exchange rates prevailing at the reporting date and their income and expenses for the year are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

#### **Revenue from contracts with customers**

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the buyer;
- creates and enhances an asset that the buyer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

#### (i) *Sales of properties*

Revenue from the sales of properties held for sale in the PRC in the ordinary course of business is recognised at point in time when control of completed property is transferred to customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in contract liabilities under contract liabilities in the consolidated statement of financial position.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

##### (ii) *Licensing for hotel operations*

Revenue from sub-licence rights are recognised over the licence period in accordance with the terms stated in the licence agreements.

##### (iii) *Manufacturing of hygiene products and retail sales*

Revenue from manufacturing of hygiene products and retail sales are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

##### (iv) *Agency fee from property agency business*

Agency fee from property agency business is recognised when the services are rendered.

### (t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. For properties under development, for which revenue is recognised over time, the Group ceases to capitalise borrowing cost as soon as the properties are ready for the Group's intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Key sources of estimation uncertainty

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

### Disposal of subsidiaries

As referred to in note 11, the Company entered into an agreement in the disposal of the Group's entire equity interests in Ceneric Properties Limited ("Ceneric Properties") and its subsidiaries, which was not completed as at 31 December 2021. Management of the Company is of the view that it is highly probable that completion of the disposal of Ceneric Properties and its subsidiaries by the Group will take place within one year from the date of the disposal agreement, accordingly, the consolidated assets and liabilities of Ceneric Properties have been reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the consolidated financial statements as at 31 December 2021.

### Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### Impairment of properties under development

Management of the Group determines on a regular basis whether the properties under development are impaired. Impairment losses on properties under development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2022, the carrying amount of properties under development is approximately HK\$1,592,856,000 (2021: HK\$1,549,801,000). No impairment loss of the properties under development has been recognised in respect of the current year (2021: Nil).

### Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, it may impact the amortisation charges for the future years.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment loss on goodwill was recognised in profit or loss in respect of the current year (2021: HK\$50,290,000). Details of the goodwill are set out in note 23.

### Impairment of other tangible and intangible assets other than financial assets

If circumstances indicate that the carrying amount of other tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods. Impairment loss on licensing right amounted to HK\$3,258,000 was recognised in profit or loss in respect of the current year (2021: Nil). No impairment loss on property, plant and equipment was recognised in profit or loss in respect of the current year (2021: Nil).

### Impairment of properties held for sale under development and properties held for sale

Management assessed the recoverability of the properties held for sale under development and properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Details of the properties held for sale under development and properties held for sale are disclosed in notes 25 and 26 respectively. Impairment loss for the properties held for sale under development amounted to HK\$25,253,000 was recognised in profit or loss of the Group in respect of the current year (2021: Nil) and no impairment loss for the properties held for sale was recognised in the profit or loss of the Group in respect of the current year (2021: Nil).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Impairment of trade and other receivables

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates and forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The Group uses four categories for other receivables which reflect their credit risk and how the loss provision is determined. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss on the Group's trade and other receivables are disclosed in note 53.

### Land appreciation tax

The Group's properties in the PRC is subjected to PRC land appreciation tax. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

## 7. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

- (a) Property Development Business: Property development and provision of ancillary services including agency and clubhouse operating service;
- (b) Hotel Business: Sub-licensing rights to hotel operators and related hotel management activities; and
- (c) Other Business: Manufacturing of hygiene products and retail sales.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 7. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

	For the year ended 31 December							
	Property Development		Hotel Business		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
Revenue from contracts with customers								
— recognised at a point in time	<b>1,586,691</b>	508	—	—	<b>1,897</b>	258	<b>1,588,588</b>	766
— recognised over time	<b>8,823</b>	1,263	<b>4,388</b>	5,745	—	—	<b>13,211</b>	7,008
<b>Total segment revenue</b>	<b>1,595,514</b>	1,771	<b>4,388</b>	5,745	<b>1,897</b>	258	<b>1,601,799</b>	7,774
<b>Segment profit/(loss)</b>	<b>572,901</b>	(126,879)	<b>(28,368)</b>	(17,709)	<b>(10,625)</b>	(1,704)	<b>533,908</b>	(146,292)
Reconciliation:								
Bank interest income							<b>1,044</b>	1,551
Other income							<b>1,119</b>	2,407
Gain on disposal of subsidiaries							<b>222,171</b>	—
Other unallocated expenses							<b>(6,641)</b>	(63,081)
Finance costs							<b>(203,706)</b>	(135,687)
<b>Profit/(loss) before tax</b>							<b>547,895</b>	(341,102)

Note: There were no inter-segment sales for both of the year ended 31 December 2022 and 31 December 2021.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 7. OPERATING SEGMENT INFORMATION (Continued)

	For the year ended 31 December							
	Property Development		Hotel Business		Other Business		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<b>3,088,539</b>	4,285,225	<b>222,039</b>	255,404	<b>3,497</b>	2,105	<b>3,314,075</b>	4,542,734
Unallocated assets							<b>16,701</b>	48,279
Total assets							<b>3,330,776</b>	4,591,013
Segment liabilities	<b>2,841,628</b>	4,226,597	<b>91,579</b>	98,043	<b>1,051</b>	36	<b>2,934,258</b>	4,324,676
Unallocated liabilities							<b>247,572</b>	389,538
Total liabilities							<b>3,181,830</b>	4,714,214

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

- all assets are allocated to reportable segments other than investment properties, pledged bank balances, unallocated prepayments, deposits and other receivables and cash and bank balances.
- all liabilities are allocated to reportable segments other than unallocated other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable and deferred tax liabilities.

### Other segment information

For the year ended 31 December 2022

	Property Development	Hotel Business	Other Business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	<b>147,092</b>	–	<b>115</b>	–	<b>147,207</b>
Depreciation and amortisation	<b>354</b>	<b>22,742</b>	<b>14</b>	<b>448</b>	<b>23,558</b>
Impairment of property under development	<b>25,253</b>	–	–	–	<b>25,253</b>
Impairment of licensing rights	–	<b>3,258</b>	–	–	<b>3,258</b>
Impairment of goodwill	–	–	–	–	–

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 7. OPERATING SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

For the year ended 31 December 2021

	Property Development HK\$'000	Hotel Business HK\$'000	Other Business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets	6,586	–	1,143	–	7,729
Depreciation and amortisation	550	23,782	23	76	24,431
Impairment of property under development	–	–	–	–	–
Impairment of licensing rights	–	–	–	–	–
Impairment of goodwill	50,290	–	–	–	50,290

Note:

Additions to non-current assets excluded those relating to financial instruments and goodwill.

### Geographical information

The Group operates in one main geographical area — the PRC.

	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>		
— PRC	<b>1,601,799</b>	7,774

### Revenue from customers contributing over 10% of the total revenue of the Group

Revenue from individual customer contributing over 10% of the total revenue of the Group is as follow:

	2022 HK\$'000	2021 HK\$'000
Customer A (Note)	<b>N/A</b>	5,056

Note: Customer A contributed less than 10% of the total revenue of the Group during year ended 31 December 2022.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 8. REVENUE

Revenue represents the aggregate of income from sales of properties held for sale, sub-licensing of operating rights, property agency income and retail sales is analysed as follows:

	2022 HK\$'000	2021 HK\$'000
Sales of properties held for sale	1,586,691	508
Sales of food and beverage	1,897	–
Sales of hygiene products	–	258
Licensing income	4,388	5,745
Property agency income	8,823	1,263
	<b>1,601,799</b>	7,774

### Disaggregated by timing of revenue recognition

	2022 HK\$'000	2021 HK\$'000
Revenue recognised:		
— Point in time	1,588,588	766
— Over time	13,211	7,008
	<b>1,601,799</b>	7,774

## 9. OTHER INCOME AND GAINS

	2022 HK\$'000	2021 HK\$'000
Bank interest income	1,044	1,551
Government subsidies ( <i>Note</i> )	120	–
Rental income	999	2,407
Others	893	1,577
Gain of modification of financial liabilities	13,714	–
	<b>16,770</b>	5,535

*Note:* Government subsidies was granted to the Group under Employment Support Scheme of Anti-epidemic Fund of the Hong Kong Government.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 10. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interests on		
Loans and borrowings	205,452	148,124
Amounts due to a director	1,937	3,562
Promissory note payable	10,183	10,174
Lease liabilities	91	28
	217,663	161,888
Less: Amount capitalised on properties under development	(13,957)	(26,201)
	203,706	135,687

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (2021: from 8.8% to 13%) per annum.

## 11. DISPOSAL OF SUBSIDIARIES

### Disposal of Ceneric Properties Limited

On 5 November 2021, the Company entered into a sale and purchase agreement (the "Agreement") with a purchaser, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly-owned subsidiary of the Company (the "Disposal Company") together with its subsidiaries (the "Disposal Group") (the "Disposal") for a consideration of HK\$282,000,000 (the "Consideration"). The purchaser whose sole director is Mr. Yang Lijun ("Mr. Yang") who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company. The Disposal had been approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 22 April 2022, and was completed on 20 May 2022.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 11. DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal of Ceneric Properties Limited (Continued)

The assets and liabilities of Disposal Group as at the date of disposal were as follow:

	20/05/2022 HK\$'000
Property, plant and equipment	1
Investment properties	10,921
Pledged bank balance	1,056
Property held for sales	1,312
Amount due from an immediate holding company	43,132
Accounts receivable	364
Other debtors, deposit paid and prepayment	17
Property under development	67,140
Cash at bank	28,413
Other creditors	(772)
Accrued liabilities	(1,117)
Deferred tax liabilities	(1,561)
	148,906
Non-controlling shareholder	(47,191)
Net assets disposed of	101,715
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	282,000
Waiver of loan due to Disposal Group	43,132
Payment of professional fees	(1,246)
Net assets disposed of	(101,715)
Gain on disposal of subsidiaries	222,171
<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	282,000
Less: Bank balances and cash disposal of	(28,413)
	253,587

During the year ended 31 December 2022, the Disposal Group contributed revenue approximately of HK\$11,525,000 and profit before tax approximately of HK\$9,528,000 to the Group. It also contributed net cash outflow approximately of HK\$10,068,000 to the Group.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 12. PROFIT/(LOSS) BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of sales		
Cost of properties sold	919,379	177
Cost of inventories sold	2,297	406
Amortisation of licensing rights	1,881	1,884
Property agency service charges	1,975	1,129
	<b>925,532</b>	3,596
Depreciation of property, plant and equipment	19,206	20,432
Depreciation of right-of-use assets	2,470	2,115
Loss on disposal of property, plant and equipment	48	78
Rental expenses for short-term leases	1,514	2,881
Auditors' remuneration	1,043	1,007
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	23,231	19,970
— Retirement benefits scheme contributions	1,771	1,574
Exchange losses/(gains), net	32,570	(6,489)

## 13. INCOME TAX EXPENSE

(a)	2022 HK\$'000	2021 HK\$'000
Current tax expense		
PRC enterprise income tax		
— Provision for the year	(111,076)	(658)
— Under provision in prior year	—	(145)
	<b>(111,076)</b>	(803)
PRC Land appreciation tax ("LAT")		
— Provision for the year	(164,220)	—
	<b>(275,296)</b>	(803)
Deferred tax	57,535	399
Income tax expense	<b>(217,761)</b>	(404)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 13. INCOME TAX EXPENSE (Continued)

(b) The income tax expense can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

	2022 HK\$'000	2021 HK\$'000
Profit/(Loss) before tax	547,895	(341,102)
Tax at statutory tax rates applicable in the respective countries (or jurisdictions)	134,509	(73,537)
Income not subject to tax	(73,996)	(3,517)
Expenses not deductible for tax	42,821	27,610
Tax losses not recognised for the year	7,742	50,102
Under-provision in prior years	–	145
Tax effect of temporary differences previously recognised	(57,535)	(399)
LAT	164,220	–
Income tax expense	217,761	404

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit arising in Hong Kong for both of the years presented.

PRC enterprise income tax is calculated at 25% (2021: 25%) of the profits of the group entities in the PRC.

LAT is levied on properties developed by the Group for sale, at progressive rates from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

## 14. DIRECTORS' REMUNERATION

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:

	2022 HK\$'000	2021 HK\$'000
<b>Fees:</b>		
Executive directors	720	1,029
Non-executive directors	210	460
Independent non-executive directors	360	360
	1,290	1,849
<b>Other emoluments:</b>		
Executive directors:		
Basic salaries and allowances	432	–
Retirement benefits scheme contributions	–	21
Non-executive directors	–	–
Independent non-executive directors	–	–
	432	21
	1,722	1,870

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 14. DIRECTORS' REMUNERATION (Continued)

The emoluments paid or payable to directors are as follows:

### Year ended 31 December 2022

Name of directors	Directors' fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
YANG Lijun <sup>1</sup>	–	–	–	–
GAO Jingyao <sup>2</sup>	720	432	–	1,152
<b>Non-executive directors</b>				
WONG Kui Shing, Danny	210	–	–	210
WONG Yuk Lun, Alan <sup>5</sup>	–	–	–	–
<b>Independent non-executive directors</b>				
SO Wai Lam	120	–	–	120
SUNG Yat Chun <sup>4</sup>	120	–	–	120
CHAN Hoi Ling	120	–	–	120
CHAN Chu Hoi <sup>5</sup>	–	–	–	–
	<b>1,290</b>	<b>432</b>	<b>–</b>	<b>1,722</b>

### Year ended 31 December 2021

Name of directors	Directors' fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
YANG Lijun <sup>1</sup>	–	–	–	–
GAO Jingyao <sup>2</sup>	651	378	21	1,050
<b>Non-executive directors</b>				
WONG Kui Shing, Danny	460	–	–	460
YU Shunhui <sup>3</sup>	–	–	–	–
<b>Independent non-executive directors</b>				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	<b>1,471</b>	<b>378</b>	<b>21</b>	<b>1,870</b>

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 14. DIRECTORS' REMUNERATION (Continued)

<sup>1</sup> Mr. Yang Lijun was appointed as chief executive officer of the Company with effect from 5 February 2021.

<sup>2</sup> Mr. Gao Jingyao was appointed as executive director of the Company with effect from 5 February 2021.

<sup>3</sup> Mr. Yu Shunhui resigned as a non-executive director of the Company with effect from 6 September 2021.

<sup>4</sup> Mr. WONG Kui Shing Danny and Mr. SUNG Yat Chun resigned as non-executive director and independent non-executive director respectively on 3 March 2023.

<sup>5</sup> Mr. WONG Yuk Lun and Ms. CHAN Chun Hoi were appointed as non-executive director and independent non-executive director respectively on 3 March 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2022 and 2021. No bonus was paid to directors for the year ended 31 December 2022 and 2021.

There was no payment of discretionary compensation or compensation for loss of office in 2022 (2021: Nil).

## 15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2021: one) director, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor a chief executive are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	2,111	4,691
Retirement benefits scheme contributions	74	91
	<b>2,185</b>	4,782

The highest paid employees, neither a director nor a chief executive, whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK\$Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	–

## 16. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year amounted to HK\$204,355,000 (2021: loss of HK\$18,817,000) has been dealt with in the financial statements of the Company (Note 42).

## 17. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the profit/(loss) attributable to owners of the Company amounted to HK\$265,177,000 (2021: HK\$326,264,000), and 6,946,350,040 (2021: 6,946,350,040) ordinary shares in issue during the year.

No diluted profit/(loss) per share for both of the year ended 31 December 2022 and 2021 was presented as there were no potential ordinary shares in issue for both of the years.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2021	813,618	100,221	2,525	916,364
Additions	–	52	120	172
Disposals	–	(59)	(868)	(927)
Transferred to assets of disposal group classified as held of sale	(26,855)	(5,015)	(407)	(32,277)
Exchange realignment	6,393	1,404	115	7,912
At 31 December 2021	793,156	96,603	1,485	891,244
Additions	–	130	–	130
Disposals	–	(68)	(111)	(179)
Exchange realignment	(16,586)	(3,390)	(36)	(20,012)
At 31 December 2022	<b>776,570</b>	<b>93,275</b>	<b>1,338</b>	<b>871,183</b>
Accumulated depreciation and impairment:				
At 1 January 2021	598,218	99,007	1,916	699,141
Depreciation provided for the year	19,301	1,015	116	20,432
Eliminated on disposals	–	(14)	(589)	(603)
Transferred to assets of disposal group classified as held of sale	(26,855)	(5,014)	(407)	(32,276)
Exchange realignment	3,668	1,344	43	5,055
At 31 December 2021	594,332	96,338	1,079	691,749
Depreciation provided for the year	18,954	192	60	19,206
Eliminated on disposals	–	(7)	(22)	(29)
Exchange realignment	(10,099)	(3,382)	(2)	(13,483)
At 31 December 2022	<b>603,187</b>	<b>93,141</b>	<b>1,115</b>	<b>697,443</b>
Carrying amount:				
At 31 December 2022	<b>173,383</b>	<b>134</b>	<b>223</b>	<b>173,740</b>
At 31 December 2021	198,824	265	406	199,495

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) *The Group's buildings with the carrying amount of HK\$173,383,000 (2021: HK\$198,824,000) are pledged to a financial institution to secure the loans granted to the Group (Notes 24 and 36).*
- (b) *During the year, the Group carried out a review of the recoverable amount of the hotel buildings together with the related right-of-use assets (note 19) and licencing rights (note 22) (together the "Hotel Operation Cash-generating Unit"). The recoverable amount of the Hotel Operation Cash-generating Unit as at 31 December 2022 was determined based on the fair value of the related hotel property less costs of disposal, by reference to the valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.*

*Valuation of the hotel property was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalisation of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building, with 7% yield over the terms approximately 3.4 years and the management's best estimates achievable assuming that the hotel is operated by market participants.*

*The significant inputs used in the valuation of the Group's hotel property are yield, rental/licensing income and average market unit price per square metre. In general, any significant changes in any of those inputs in isolation would result in a significantly change in the valuation amount. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square metre is accompanied by an increase in the valuation amount of the Group's hotel property. However, an increase in the assumption used for yield is accompanied by a decrease in the valuation amount of the hotel property.*

*Having performed a review of the recoverable amount of the Hotel Operation Cash-generating Unit on the basis of fair value less costs of disposal of the hotel property, the directors are of the view that no impairment losses for the current year are required to be made in the consolidated financial statements. For the year ended 31 December 2022, impairment losses of HK\$3,258,000 was recognised on licensing rights in profit or loss.*

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 19. RIGHT-OF-USE ASSETS

	<b>Leased land</b>	<b>Leased properties</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January 2021	49,048	28	49,076
Written back upon termination of lease	–	1,143	1,143
Depreciation provided for the year ended			
31 December 2021	(1,920)	(195)	(2,115)
Exchange realignment	238	(6)	232
Carrying amount at 31 December 2021	47,366	970	48,336
Carrying amount at 1 January 2022	<b>47,366</b>	<b>970</b>	<b>48,336</b>
Depreciation provided for the year ended			
31 December 2022	<b>(1,907)</b>	<b>(563)</b>	<b>(2,470)</b>
Exchange realignment	<b>(598)</b>	<b>(8)</b>	<b>(606)</b>
Carrying amount at 31 December 2022	<b>44,861</b>	<b>399</b>	<b>45,260</b>

The Group's leased land represent the payments for land use rights in the PRC. This leased land with the carrying amount of HK\$44,861,000 as at 31 December 2022 (31 December 2021: HK\$47,366,000) had been pledged to a financial institution to secure loans (Notes 24 and 36).

As at 31 December 2022, the remaining lease terms of leased land over which depreciation to be taken up are approximately 24 years.

Leased properties represent certain parts of Group's office properties leased under wide range of different terms and conditions. Leases for properties are negotiated for terms ranging from one to two years. None of the leases include contingent rentals.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 19. RIGHT-OF-USE ASSETS (Continued)

Expenses have been charged to the consolidated statement of profit or loss in respect of the current year as follows:

	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of use assets:		
— Leased land	1,907	1,920
— Leased properties	563	195
	<b>2,470</b>	2,115
Interest on lease liabilities	91	28
Rental expense relating to short-term leases	1,514	2,881

The total cash outflow for leases for the year ended 31 December 2022 is HK\$2,179,000 (31 December 2021: HK\$3,027,000), of which HK\$1,514,000 and HK\$665,000 (31 December 2021: HK\$2,881,000 and HK\$146,000) are included in operating activities and financing activities respectively.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INVESTMENT PROPERTIES

	2021 HK\$'000
Investment properties on land in the PRC	–

Movements during the year are as follows:

	2021 HK\$'000
Fair value, at 1 January	24,127
Reclassified to assets classified as held for sale ( <i>Note 32</i> )	(24,770)
Exchange realignment	643
Fair value, at 31 December	–

The Group's investment properties at 31 December 2021, which are included in assets classified as held for sale, represents commercial properties on leasehold land in the PRC. The investment properties are leased to third parties under operating leases, details of which are included in Note 46.

The Group's investment properties at 31 December 2021 are carried at fair value at that date as valued by B.I. Appraisal Limited, being independent qualified professional valuers not connected with the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Quoted prices in active market (Level 1) HK\$'000	Fair value measurement using Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Recurring fair value measurement for investment properties:				
31 December 2021	–	–	24,770	24,770

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INVESTMENT PROPERTIES (Continued)

Reconciliation for fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment properties 2021 HK\$'000
Carrying amount at 1 January	24,127
Reclassified from properties held for sale	–
Gain on change in fair value of investment properties	–
Reclassified to assets classified as held for sale	(24,770)
Exchange realignment	643
Carrying amount at 31 December	–

There were no transfers into and out of level 3 during the year.

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2021.

31 December 2021

Description	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK\$13,346,000	Income capitalisation method	(i) Average monthly market rent	RMB48,831 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	N/A	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB9,720 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK\$6,997,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.5%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,798 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK\$4,427,000	Income capitalisation method	(i) Average monthly market rent	RMB13,850 per month to RMB16,935 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.5%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,798 per square metre	The higher the market rate, the higher the fair value

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 21. PROPERTIES UNDER DEVELOPMENT

	2022 HK\$'000	2021 HK\$'000
Cost		
At 1 January	1,549,801	1,499,271
Additions	169,601	6,414
Interest capitalised ( <i>Note 10</i> )	1,667	8,169
Impairment loss recognised in profit or loss	(25,253)	–
Exchange re-alignment	(102,960)	35,947
At 31 December	1,592,856	1,549,801

The properties are located in Hengqin and Doumen District, Zhuhai City, the PRC.

## 22. LICENSING RIGHTS

	2022 HK\$'000	2021 HK\$'000
Cost		
At 1 January	92,874	92,430
Exchange realignment	(1,043)	444
At 31 December	91,831	92,874
Accumulated amortisation and impairment		
At 1 January	84,545	82,230
Amortisation charge for the year	1,882	1,884
Impairment losses recognised in profit or loss	3,258	–
Exchange realignment	(1,014)	431
At 31 December	88,671	84,545
Carrying amount		
At 31 December	3,160	8,329

The licensing rights represent the rights granted to hotel operating rights holders to operate and manage the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

As at 31 December 2022, the remaining useful lives of the licensing rights over which amortisation to be taken up are approximately 41 months (2021: 53 months). The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements.

During the year, management of the Group conducted an impairment assessment of the licensing rights as detailed in Note 18(b) and is of the view that an impairment of HK\$3,258,000 is required to be made in respect of the licensing rights for the current year.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 23. GOODWILL

	2022 HK\$'000	2021 HK\$'000
<b>Carrying amount</b>		
At the beginning of the year	–	50,290
Impairment of goodwill	–	(50,290)
At the end of the year	–	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (“CGU”) that is expected to benefit from that business combination.

Goodwill arose from the acquisition of Eway International Investment Limited (“Eway International”) which was completed in September 2020. The CGU to which the goodwill was allocated represents Eway International which, through its PRC subsidiaries, is principally engaging in the development, leasing and management of properties located in the PRC.

The Company engaged a valuer, B.I. Appraisals Limited (“the valuer”) to conduct a valuation, according to Hong Kong Accounting Standard 36, “Impairment of Assets” (“HKAS 36”) on the value in use of the CGU as at December 2021.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management’s expectations for the market development.

At 31 December 2021, the recoverable amount of the CGU was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 2.0% per annum. The cash flow projections are discounted at discount rate of 10.5% per annum, which reflects the specific risks relating to such CGU.

Based on the calculation of the value-in-use of the CGU to which the goodwill is allocated and the PRC real estate market has been impacted by the persistence of the Novel Coronavirus together with the relevant negative government measures in relation to the property development industry in the PRC, the management of the Group considered it appropriate to make full impairment of goodwill in the consolidated financial statements.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 24. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to banks and financial institutions to secure general banking and loan facilities granted to subsidiaries of the Group.

	2022 HK\$'000	2021 HK\$'000
Carrying amount of the assets pledged:		
Buildings ( <i>Notes 18(a) and 36</i> )	<b>173,383</b>	198,824
Right-of-use assets — leasehold land ( <i>Notes 19 and 36</i> )	<b>44,861</b>	47,366
Properties held for sale under development ( <i>Notes 25 and 36</i> )	<b>284,855</b>	646,040
	<b>503,099</b>	892,230
Pledged restricted bank balances including:		
Amount pledged to banks to secure bank loans ( <i>Notes 30 and 36</i> )	<b>140,305</b>	336,460
Aggregate carrying amount of assets pledged	<b>643,404</b>	1,228,690

In addition, as at 31 December 2022, all the equity interests in a subsidiary beneficially held by the Group and non-controlling shareholders were pledged to secure bank loan facilities granted to the Group (Note 36).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 25. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Movements of the properties in the PRC held for sale under development are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	1,828,965	1,682,818
Development expenditure incurred for the year	246,337	158,069
Transferred to cost of sales	(917,859)	–
Interest capitalised ( <i>Note 10</i> )	12,289	18,032
Reclassified to assets classified as held for sale	–	(65,787)
Exchange realignment	(122,716)	35,833
At 31 December	1,047,016	1,828,965

Included in properties held for sale under development are certain land parcels located in Chengdu, the PRC with the carrying amount of HK\$284,855,000 as at 31 December 2022 (2021: HK\$646,040,000) which had been pledged to a financial institution to secure bank loans granted to the Group (Notes 24 and 36).

## 26. PROPERTIES HELD FOR SALE

	2022 HK\$'000	2021 HK\$'000
Properties held for sale		
— Completed	–	–
— Under development	1,047,016	1,828,965
	1,047,016	1,828,965

## 27. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Food and beverage	941	–
	941	–

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 28. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables, gross	87,697	94,965
Impairment loss recognised	(87,467)	(94,904)
	<b>230</b>	61

Credit period normally granted to customers of the Group is 30 days.

An aged analysis of the trade receivables after impairment loss recognised, based on invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	173	61
1–3 months	57	–
	<b>230</b>	61

Movements in impairment loss recognised on trade receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	94,904	91,873
Exchange realignment	(7,437)	3,031
At the end of the year	<b>87,467</b>	94,904

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments and deposits paid	157,565	112,397
Other receivables		
— Refundable payment made to PRC local authority for guarantee of due performance of property development undertaken by the Group	—	7,575
— Value added tax recoverable	57,631	168,860
— Receivables from customers (Note (a))	—	5,613
	57,631	182,048
	215,196	294,445

Notes:

(a) The Group had made payments to government authorities on behalf of its property purchasers and it is expected that these payments are recoverable from the purchasers on a cost reimbursement basis.

## 30. RESTRICTED BANK BALANCES

	2022 HK\$'000	2021 HK\$'000
Guarantee deposits for construction of pre-sold properties	235,797	439,905

In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, proceeds received by the Group from pre-sale of properties are placed with banks and these deposits with banks are only applied for the payments of property development expenditure incurred for the Group's relevant property projects.

The Group's restricted bank balances of HK\$140,305,000 (2021: HK\$336,460,000) have been pledged to secure bank loans granted to the Group (Notes 24 and 36).



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 31. CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	<b>16,127</b>	46,669
Cash and cash equivalents	<b>16,127</b>	46,669

As at 31 December 2022, the cash and bank balances of the Group to the extent of HK\$11,807,000 (2021: HK\$39,285,000) were denominated in RMB. The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, it is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances and restricted bank balances (Note 30) are deposited with creditworthy banks with no recent history of default.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 32. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2021 HK\$'000
<b>Assets of disposal group</b>	
Property, plant and equipment	1
Investment properties	24,770
Pledged bank balances	1,089
Properties held for sale under development	65,787
Properties held for sale	1,354
Trade receivables	376
Prepayment and other receivables	43,149
Cash and cash equivalents	38,481
<b>Assets of disposal group classified as held for sale</b>	<b>175,007</b>
<b>Liabilities of disposal group</b>	
Trade and other payables	1,905
Contract liabilities	13,448
Deferred tax liabilities	4,987
	20,340
Deposits received by the Group on sale of disposal group	30,000
<b>Liabilities directly associated with the assets of disposal group classified as held for sale</b>	<b>50,340</b>

*Note: On 5 November 2021, the Company entered into an agreement (the "Disposal Agreement") with an entity indirectly wholly-owned by Mr. Yang Lijun, a director of the Company ("the Purchaser"), pursuant to which the Group has agreed to dispose to the Purchaser the entire equity interests in and shareholders' advances to its subsidiary, Ceneric Properties Limited ("Ceneric Properties"), for an aggregate consideration of HK\$282,000,000. The purchaser whose sole director is Mr. Yang Lijun ("Mr. Yang") who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company. The Disposal had been approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 22 April 2022, and was completed on 20 May 2022.*

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Trade payables for property development expenditure ( <i>Note a</i> )	588,701	275,204
Value-added tax payable	78,875	140,343
Interest payable	161,477	92,355
Lease liabilities ( <i>Note 39</i> )	465	542
Other payables and accruals	136,522	150,006
	<b>966,040</b>	658,450

Note:

(a) The following is an aged analysis of trade payables for property development expenditure presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	237,562	143,020
1–3 months	351,139	132,184
	<b>588,701</b>	275,204

## 34. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest free and has no fixed repayment terms.

## 35. AMOUNT DUE TO A DIRECTOR

	2022 HK\$'000	2021 HK\$'000
Amount due to a director repayable:		
— Within one year	18,212	—
— Within a period of more than one year but not exceeding two years	5,750	40,747
	<b>23,962</b>	40,747
Analysed for reporting purpose:		
— Current liabilities	18,212	—
— Non-current liabilities	5,750	40,747
	<b>23,962</b>	40,747

The amount due to a director, Mr. Yang Lijun is unsecured, carries interest at 13% per annum (2021: 9% to 13% per annum).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 36. LOANS AND BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank loans		
— secured	372,050	413,273
Other loans and borrowings		
— secured	226,380	756,000
— unsecured	764,193	564,883
	990,573	1,320,883
	1,362,623	1,734,156
	2022 HK\$'000	2021 HK\$'000
Loans and borrowings repayable:		
Within 1 year	433,369	785,245
After 1 year but within 2 years	929,254	134,028
After 2 years but within 5 years	—	814,883
	1,362,623	1,734,156
Less: Portion repayable within one year included in current liabilities	(433,369)	(785,245)
Portion not repayable within one year included in non-current liabilities	929,254	948,911
	2022 HK\$'000	2021 HK\$'000
Loans and borrowings chargeable at		
— fixed interest rates	990,573	1,320,883
— variable interest rates	372,050	413,273
	1,362,623	1,734,156

### Bank loans

The bank loans outstanding at 31 December 2022 carried interests at the interest rates ranged from HIBOR plus 3.5% to a fixed rate of 8.8% per annum. The bank loans outstanding at 31 December 2021 carried interests at the interest rates ranged from HIBOR plus 3.5% to a fixed rate of 8.8% per annum.

The bank loans at 31 December 2022 to the extent of HK\$173,062,000 (2021: HK\$176,062,000) were secured by (i) pledge of all the equity interest in a subsidiary beneficially held by the Group and non-controlling shareholders (ii) guarantees given by a former director of the Company; (iii) guarantees given by a non-controlling shareholder of the subsidiary; and (iv) pledge of the Group's restricted bank balances of HK\$93,621,000 (2021: HK\$205,519,000) (Note 30).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 36. LOANS AND BORROWINGS (Continued)

### Bank loans (Continued)

The bank loans at 31 December 2022 to the extent of HK\$123,943,000 (2021: HK\$156,060,000) were secured by (i) guarantees given by a director of the Company, Mr. Yang Lijun; (ii) guarantees given by a company which is controlled by a brother of a director, Mr. Yang Lijun; (iii) guarantees given by a subsidiary of the Company; (iv) pledge of the Group's properties held for sale under development located in Chengdu, the PRC with the carrying amount of HK\$284,855,000 (2021: HK\$646,040,000); and (v) pledge of the Group's restricted bank balances of HK\$95,492,000 (2021: HK\$130,941,000) (Note 30).

The remaining balance of the bank loans at 31 December 2022 of HK\$75,045,000 (2021: HK\$81,151,000) was secured by the Group's leasehold land and buildings located in Maoming City, the PRC with the aggregate carrying amount of HK\$243,685,000 (2021: HK\$246,190,000) (Notes 18 and 19). On 4 December 2022, an indirect wholly owned subsidiary of the Company failed to repay the loan of HK\$75,045,000 which carried interest rate of 7.13% per annum. The negotiation between the Group and the financial institution was underway as at 31 December 2022 and no extensions to the repayment is granted up to the date of this report.

### Other loans and borrowings

Other loans and borrowings carried interests at the interest rates ranged from 9% to 15% per annum. At 31 December 2022, secured loans and borrowings amounted to HK\$476,380,000 (2021: HK\$694,800,000) and HK\$11,319,000 (2021: HK\$61,200,000) were secured by guarantees given by Mr. Yang Lijun and Mr. Yu Shunhui, directors of the Company, respectively.

The loans and borrowings with the aggregate carrying amount of HK\$314,217,000 (2021: HK\$514,217,000) are denominated in currencies other than the functional currencies of the relevant group entities.

## 37. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Advance payments received for sales of properties	386,981	1,974,806

The Group received payments from customers based on billing schedules as stipulated in the property sale contracts. Payments are usually received in advance of the performance under the sale contracts.

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year (2021: HK\$1,974,806 and 2020: HK\$754,137):

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,575,167	531

Management expects that the transaction prices allocated to the unsatisfied contracts related to sale of properties at 31 December 2022 amounted to approximately RMB586.3 million (2021: RMB1,875.6 million), which will be recognised as revenue within the next three financial years.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 38. PROMISSORY NOTE PAYABLE

	2022 HK\$'000	2021 HK\$'000
Promissory note payable:		
— Within one year	108,236	–
— Within a period of more than one year but not exceeding two years	–	107,827
	<b>108,236</b>	107,827

The Company issued promissory note with the principal amount of HK\$108,600,000 for the acquisition of a subsidiary in September 2020. The promissory note is unsecured, carries interest at interest rate of 9% per annum and is payable on 14 September 2023.

The fair value of the promissory note is estimated to be HK\$104,237,000 (2021:HK\$100,665,000), with the effective interest rate of approximately 9.47% (2021:9.47%) per annum.

## 39. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Lease liabilities payable:		
Within one year	465	542
Within a period of more than one year but not more than two years	–	507
	<b>465</b>	1,049
Less: Amount due for settlement within twelve months included in current liabilities ( <i>Note 33</i> )	<b>(465)</b>	(542)
Amount due for settlement after twelve months shown under non-current liabilities	–	507

## 40. DEFERRED TAX LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Deferred tax liabilities, net recognised	<b>87,516</b>	145,239

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 40. DEFERRED TAX LIABILITIES (Continued)

Movements in deferred tax (liabilities)/assets were as follows:

	Deferred tax (liabilities)/assets attributable to					Total HK\$'000
	Fair value adjustment to properties under development and held for sale on business combination	Accelerated tax depreciation	Surplus on property valuation	Change in fair value of investment properties	Sale of properties recognised over time	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	(132,962)	(10,227)	(6,451)	1,591	(2,377)	(150,426)
Credited to profit or loss (Note 13(a))	-	399	-	-	-	399
Transferred to liabilities directly associated with assets of disposal group classified as held for sale (Note 32)	-	-	6,643	(1,656)	-	4,987
Exchange realignment	-	-	(192)	65	(72)	(199)
At 31 December 2021 and 1 January 2022	<b>(132,962)</b>	<b>(9,828)</b>	-	-	<b>(2,449)</b>	<b>(145,239)</b>
Credited to profit or loss (Note 13(a))	<b>54,875</b>	<b>399</b>	-	-	<b>2,261</b>	<b>57,535</b>
Exchange realignment	-	-	-	-	<b>188</b>	<b>188</b>
At 31 December 2022	<b>(78,087)</b>	<b>(9,429)</b>	-	-	-	<b>(87,516)</b>

As at 31 December 2022, the Group has tax losses arising in Hong Kong of HK\$49,870,000 (2021: HK\$49,870,000) that are available indefinitely for offsetting against future taxable profits of the relevant Group's relevant subsidiaries in which the losses arose. The Group also had tax losses arising in the PRC of HK\$85,581,000 at 31 December 2022 (2021: HK\$74,291,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses, due to the unpredictability of future profit streams.

## 41. SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
Authorised:		
100,000,000,000 (2021: 100,000,000,000) ordinary shares of HK\$0.01 each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
6,946,350,040 (2021: 6,946,350,040) ordinary shares of HK\$0.01 each	<b>69,464</b>	69,464

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	4,645	4,645
	<b>4,645</b>	4,645
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	–	563
Amounts due from subsidiaries	528,133	288,368
Cash and cash equivalents	3,701	3,195
	<b>531,834</b>	292,126
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	26,228	46,411
Amounts due to subsidiaries	25,044	68,183
Promissory note	108,236	–
	<b>159,508</b>	114,594
<b>NET CURRENT ASSETS</b>	<b>372,326</b>	177,532
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>376,971</b>	182,177
<b>NON-CURRENT LIABILITIES</b>		
Amount due to a director	5,750	9,200
Promissory note payable	–	107,827
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,750</b>	117,027
<b>NET ASSETS</b>	<b>371,221</b>	65,150
<b>EQUITY</b>		
Share capital	69,464	69,464
Reserves ( <i>Note</i> )	301,757	(4,314)
<b>TOTAL EQUITY</b>	<b>371,221</b>	65,150

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 29 March 2023 and is signed on its behalf by:

**Yang Lijun**  
Director

**Gao Jingyao**  
Director



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Movements of the reserves of the Company are as follows:

	<i>Share premium account</i> <i>HK\$'000</i>	<i>Capital reduction reserve</i> <i>HK\$'000</i>	<i>Accumulated losses</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 1 January 2021	778,892	191,925	(956,314)	14,503
Loss and total comprehensive loss for the year	–	–	(18,817)	(18,817)
At 31 December 2021	<b>778,892</b>	<b>191,925</b>	<b>(975,131)</b>	<b>(4,314)</b>
Disposal of subsidiaries	–	–	<b>101,716</b>	<b>101,716</b>
Profit and total comprehensive income for the year	–	–	<b>204,355</b>	<b>204,355</b>
At 31 December 2022	<b>778,892</b>	<b>191,925</b>	<b>(669,060)</b>	<b>301,757</b>

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable (included in trade payables, other payables and accruals)	Lease liabilities	Loans and borrowings	Promissory note payable	Amount due to a director	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	30,999	30	1,787,274	107,427	35,410	1,961,140
Financing cash inflows	-	-	66,357	-	5,337	71,694
Financing cash outflows	(100,104)	(146)	(149,751)	-	-	(250,001)
Finance costs (Note 10)	151,686	28	-	10,174	-	161,888
Commencement of leases	-	1,133	-	-	-	1,133
Interest payable on promissory note reclassified	9,774	-	-	(9,774)	-	-
Exchange realignment	-	4	30,276	-	-	30,280
At 31 December 2021	92,355	1,049	1,734,156	107,827	40,747	1,976,134
At 1 January 2022	<b>92,355</b>	<b>1,049</b>	<b>1,734,156</b>	<b>107,827</b>	<b>40,747</b>	<b>1,976,134</b>
Financing cash inflows	-	-	10,514	-	26,557	37,071
Financing cash outflows	<b>(143,350)</b>	<b>(665)</b>	<b>(303,537)</b>	-	<b>(43,517)</b>	<b>(491,069)</b>
Finance costs (Note 10)	<b>207,389</b>	<b>91</b>	-	<b>10,183</b>	-	<b>217,663</b>
Interest payable on promissory note reclassified	<b>9,774</b>	-	-	<b>(9,774)</b>	-	-
Exchange realignment	<b>(4,691)</b>	<b>(10)</b>	<b>(78,509)</b>	-	<b>5</b>	<b>(83,205)</b>
At 31 December 2022	<b>161,477</b>	<b>465</b>	<b>1,362,624</b>	<b>108,236</b>	<b>23,792</b>	<b>1,656,594</b>

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group acquired certain subsidiaries for a consideration, which were settled by the issue of promissory note payable as detailed in Note 38.

## 45. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2022 (2021: Nil).

## 46. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases out investment properties and part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms from three years to fifteen years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2022, the Group had total future minimum lease receivables falling due as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	263	1,649
In the second to fifth years, inclusive	–	2,469
After five years	–	892
	<b>263</b>	5,010

## 47. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities amounting to HK\$361,076,000 (2021: HK\$365,046,000) in respect of the buy-back guarantee in favour of banks to secure mortgage loan facilities granted to the purchasers of the Group's properties.

## 48. PROJECT COMMITMENTS

As at 31 December 2022, the Group's outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately of HK\$223,485,000 (2021: HK\$832,008,000).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 49. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

### Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	2,193	1,849
Post-employment benefits	21	21
	<b>2,214</b>	1,870

## 50. SHARE OPTION SCHEME

A share option scheme was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 8 June 2011 (the "2011 Share Option Scheme"). The 2011 Share Option Scheme has been terminated upon adoption of a new share option scheme by ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 28 May 2021 ("New Share Option Scheme"). Upon termination of the 2011 Share Option Scheme, no further options of the 2011 Share Option Scheme shall be offered thereunder.

The purpose of the New Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 28 May 2021 (the "Adoption Date") (the "Scheme Mandate Limit") unless the Company obtains a fresh approval from the shareholders in general meeting.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 50. SHARE OPTION SCHEME (Continued)

With the approval of the shareholders in general meeting to refresh the Scheme Mandate Limit, the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the refreshment by the shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. Under the Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto.

The Board may grant options to any participant if the total number of shares issued and to be issued upon exercise of all options granted and to be granted in excess of 1% of the shares in issue in any 12-month period subject to the approval of shareholders in general meeting (with the proposed participant and his associates abstaining from voting).

According to the new share option plan, the Board has the absolute discretion to determine a period not exceeding ten (10) years within which an option to be held by a participant before exercise, subject to the requirements of the New Share Option Scheme. During the year ended 31 December 2022 and as of the date of approval of these consolidated financial statements, no options were granted, exercised, forfeited, cancelled or lapsed nor were there any option outstanding under the Scheme.

The exercise price will be determined by the Board at its absolute discretion. The minimum exercise price shall not be less than the highest of: (A) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (B) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (C) the nominal value of a share on the date of grant. A participant shall pay HK\$1.00 to the Company by way of consideration for the grant.

The New Share Option Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board and approval of shareholders by ordinary resolution in a general meeting. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted. As of the date of this report, the remaining life of the Scheme is approximately 8 years.

Up to the date of this report, there is no options granted under the New Share Option Scheme.

As at the date of this report, the total number of shares available for issue under the New Share Option Scheme may not exceed 694,635,004 shares, which represents 10% of the shares in issue of the Company at the Adoption Date.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES

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

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
				2022	2021		
Born King Investment Holdings Limited 保皇投資控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Hotel business
Box Sister Group Limited 盒姐集團有限公司	Hong Kong/PRC	Limited liabilities company	HK\$10,000	100	–	Ordinary	Investment holding
Brilliant Wonder Global Limited 卓妙環球有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Ceneric Financial Services Limited 新嶺域財務有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$86,054,000	100	100	Ordinary	Investment holding
Ceneric Capital Limited 新嶺域資金有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$300,000	100	100	Ordinary	Investment holding
Ceneric Consultant Limited 新嶺域顧問有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Ceneric Corporate Limited 新嶺域企業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$50,000	100	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK\$200	100	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK\$200	100	100	Ordinary	Investment holding
China Ready Meals Group Limited 中國預製菜集團有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	–	Ordinary	Investment holding
China TFG Group Limited 中國富元集團有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$10,000	100	100	Ordinary	Investment holding
Eastern Premium Limited 東溢有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Ever Point Enterprises Limited 永邦企業有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Eway International Investment Limited 億偉國際投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$50,000	100	100	Ordinary	Investment holding
Fast Progress Corporation Limited 迅達興業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$1	100	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands/PRC	Limited liabilities company	US\$3	100	100	Ordinary	Investment holding
Good Able Investment Limited 佳祥投資有限公司	Hong Kong/PRC	Limited liabilities company	HK\$250,099,325	100	100	Ordinary	Hotel business
Hengqin Germany City Investment (Macau) Limited 橫琴德國城投資(澳門)有限公司	Macau/PRC	Limited liabilities company	MOP1,000,000	70	70	Registered capital	Investment holding

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
				2022	2021		
Ling Bong Fu Shun Limited 寧邦富純有限公司	Hong Kong/PRC	Limited liabilities company	HK\$10,000	100	100	Ordinary	Investment holding
Mega Vast Development Limited 萬騰發展有限公司	Hong Kong/PRC	Limited liabilities company	HK\$1	100	100	Ordinary	Investment holding
More Earn HK Development Limited 萬盈香港發展有限公司	Hong Kong/PRC	Limited liabilities company	HK\$10,000	100	100	Ordinary	Investment holding
New Stage Holdings Limited	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Oriental Surge Limited 東濤有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Pure Proficient Limited 純通有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Quick Ridge Limited 迅嶺有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Rich Source Property Holdings Limited 富源地產控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$100,000	100	100	Ordinary	Investment holding
TFG Health Limited 富元健康有限公司	Hong Kong/PRC	Limited liabilities company	HK\$10,000	100	100	Ordinary	Investment holding
TFG International Hong Kong Limited 富元國際香港有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$1	100	100	Ordinary	Investment holding
Total Nation Investments Limited 國邦投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
Vista International Hotels Limited 景星國際酒店管理有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK\$10 HK\$300,000	100 100	100 100	Ordinary Non-voting deferred	Investment holding
World China Investment Limited 漢世投資有限公司	Hong Kong/PRC	Limited liabilities company	HK\$1	100	100	Ordinary	Investment holding
Worth Fame Limited 貴譽有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US\$1	100	100	Ordinary	Investment holding
茂名市華盈酒店物業管理有限公司	PRC/PRC	Wholly foreign owned enterprise	HK\$10,000,000	100	100	Registered capital	Hotel business
中山富杰投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Property development
中山富浩投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Investment holding
中山卓妙房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Agency service

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
				2022	2021		
中山市富展房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Property development
中山市德至健康科技有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Manufacturing
珠海橫琴富昌盛實業發展有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB500,000,000	70	70	Registered capital	Property development
成都市富浩房地產開發有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Property development
珠海市富元商業發展有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB250,000,000	100	100	Registered capital	Property development
珠海市橫琴新區萬盈酒店管理有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	100	100	Registered capital	Hotel business
中山市富展信息諮詢有限公司	PRC/PRC	Limited liabilities company	RMB1,000,000	51	51	Registered capital	Investment holding
中山市富德信息諮詢有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	75	75	Registered capital	Agency service
富元智慧停車（上海）有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	51	51	Registered capital	Agency service
廣東順拓科技有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	51	51	Registered capital	Agency service
深圳市盒姐企業管理有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB50,000,000	100	—	Registered capital	Investment holding
深圳市盒姐網絡科技有限公司	PRC/PRC	Limited liabilities company	RMB5,000,000	100	—	Registered capital	Retail
深圳市盒姐餐飲管理有限公司	PRC/PRC	Limited liabilities company	RMB5,000,000	100	—	Registered capital	Retail
中山市盒姐餐飲管理有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB5,000,000	100	—	Registered capital	Retail
深圳市盒姐食品供應鏈有限公司	PRC/PRC	Limited liabilities company	RMB5,000,000	100	—	Registered capital	Retail
上海盒姐餐飲管理有限公司	PRC/PRC	Limited liabilities company	RMB5,000,000	100	—	Registered capital	Retail

The above table lists the subsidiaries of the Company as at 31 December 2022 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

### Non-wholly owned subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	45%	45%
Jubilation Properties Limited	45%	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	45%	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	45%	45%
Zhongshan Morning Star Villa Club Co., Ltd.	45%	45%
Hengqin Germany City Investment (Macau) Limited	30%	30%
珠海橫琴富昌盛實業發展有限公司*	30%	30%

\* 珠海橫琴富昌盛實業發展有限公司 is a wholly-owned subsidiary of Hengqin Germany City Investment (Macau) Limited.

	2022 HK\$'000	2021 HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	–	(28)
Jubilation Properties Limited	–	(27)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	(32)	139
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	4,387	(509)
Zhongshan Morning Star Villa Club Co., Ltd.	(67)	(266)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	61,008	(13,549)
Subsidiaries have immaterial non-controlling interests	(339)	(1,002)
	<b>64,957</b>	(15,242)
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	–	16,704
Jubilation Properties Limited	–	27,909
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	–	7,438
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	–	20,890
Zhongshan Morning Star Villa Club Co., Ltd.	–	(23,158)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	47,546	(15,315)
Subsidiaries have immaterial non-controlling interests	(1,237)	5,900
	<b>46,309</b>	40,368

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

### Non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	2022 HK\$'000	2021 HK\$'000
Bright Profit Investments Limited		
Total revenue	–	–
Total expenses	–	(63)
Loss for the year	–	(63)
Total comprehensive loss for the year	–	(63)
Current assets	–	37,625
Non-current assets	–	–
Current liabilities	–	(505)
Non-current liabilities	–	–
Net cash flows used in operating activities	–	–
Net decrease in cash and cash equivalents	–	–
Jubilation Properties Limited		
Total revenue	–	–
Total expenses	–	(59)
Loss for the year	–	(59)
Total comprehensive loss for the year	–	(59)
Current assets	–	62,501
Non-current assets	–	–
Current liabilities	–	(481)
Non-current liabilities	–	–
Net cash flows used in operating activities	–	(3)
Net decrease in cash and cash equivalents	–	(3)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited		
Total revenue	<b>296</b>	1,517
Total expenses	<b>(368)</b>	(1,208)
Loss/(profit) for the year	<b>(72)</b>	309
Total comprehensive (loss)/income for the year	<b>(806)</b>	1,015
Current assets	–	44,934
Non-current assets	–	11,629
Current liabilities	–	(38,425)
Non-current liabilities	–	(1,609)
Net cash flows used in operating activities	–	(2,082)
Net decrease in cash and cash equivalents	–	(2,082)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

### Non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	2022 HK\$'000	2021 HK\$'000
Zhongshan Morning Star Villa Housing and Real Estate Development Limited		
Total revenue	<b>11,532</b>	1,176
Total expenses	<b>(1,783)</b>	(2,308)
Profit/(loss) for the year	<b>9,749</b>	(1,132)
Total comprehensive income/(loss) for the year	<b>9,004</b>	(385)
Current assets	–	87,382
Non-current assets	–	14,231
Current liabilities	–	(51,814)
Non-current liabilities	–	(3,298)
Net cash flows generated from operating activities	–	12,947
Net increase in cash and cash equivalents	–	12,947
Zhongshan Morning Star Villa Club Co., Ltd.		
Total revenue	<b>199</b>	831
Total expenses	<b>(348)</b>	(1,423)
Loss for the year	<b>(149)</b>	(592)
Total comprehensive loss for the year	<b>(149)</b>	(592)
Current assets	–	578
Non-current assets	–	–
Current liabilities	–	(52,040)
Non-current liabilities	–	–
Net cash flows generated/(used in) from operating activities	–	4
Net increase/(decrease) in cash and cash equivalents	–	4

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 51. PRINCIPAL SUBSIDIARIES (Continued)

### Non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	2022 HK\$'000	2021 HK\$'000
Hengqin Germany City Investment (Macau) Limited and its subsidiary		
Total revenue	<b>789,706</b>	18,215
Total expenses	<b>(586,345)</b>	(63,379)
Profit/(loss) for the year	<b>203,361</b>	(45,164)
Total comprehensive income/(loss) for the year	<b>259,953</b>	(45,734)
Current assets	<b>427,306</b>	853,501
Non-current assets	<b>816,933</b>	826,840
Current liabilities	<b>(1,061,188)</b>	(1,704,369)
Non-current liabilities	<b>(64,217)</b>	(66,675)
Net cash flows generated from operating activities	<b>(44,445)</b>	154,517
Net cash flows used in investing activities	<b>(48,011)</b>	(6,413)
Net cash flows (used in)/generated from financing activities	<b>(43,248)</b>	(26,198)
Net increase/(decrease) in cash and cash equivalents	<b>(135,704)</b>	121,906

## 52. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at amortised cost HK\$'000
<b>Financial assets</b>	
<b>31 December 2022</b>	
Trade receivables	<b>230</b>
Other receivables	<b>206,808</b>
Restricted bank balance	<b>235,797</b>
Cash and cash equivalents	<b>16,031</b>
	<b>458,866</b>
<b>Financial assets</b>	
<b>31 December 2021</b>	
Trade receivables	61
Other receivables	182,048
Restricted bank balance	439,905
Cash and cash equivalents	46,609
	668,623

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 52. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
<b>31 December 2022</b>	
Trade payables, other payables and accruals	886,700
Amount due to a director	23,962
Promissory note payable	108,236
Loans and borrowings	1,362,623
Lease liabilities	465
	<b>2,381,986</b>
<b>Financial liabilities</b>	
<b>31 December 2021</b>	
Trade payables, other payables and accruals	517,566
Amount due to a director	40,747
Amount due to non-controlling interest	2,142
Promissory note payable	107,827
Loans and borrowings	1,734,156
Lease liabilities	1,049
	2,403,487

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, pledged bank balances, restricted bank balances, cash and cash equivalents, trade payables, other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable, lease liabilities and loans and borrowings.

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

### Interest rate risk

The Group's interest rate risk arises primarily from portions of the Group's bank deposits and loans and borrowings which are carried at floating interest rates.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net borrowings (being loans and borrowings less bank deposits) is closely monitored by management.

At 31 December 2022, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit before tax and equity by approximately HK\$37,000 (2021: HK\$731,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2021.

### Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk arising from various kinds of currency exposures, mainly comprising United States Dollars ("USD") and Hong Kong dollars ("HK\$"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only foreign currency denominated monetary items and adjusted their transaction at the year end for a 5% fluctuation in foreign currency rates. As at 31 December 2022, if 5% (2021: 5%) weakening/strengthening of RMB against USD and HK\$, the Group's profit before tax would decrease/increase by approximately RMB27,120,000, equivalent to HK\$32,232,000 (2021: decrease/increase by approximately RMB38,355,000, equivalent to HK\$45,585,000).

### Price risk

The Group is not exposed to equity security price risk as no equity securities were held by the Group at the end of the reporting period.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

### (i) TRADE RECEIVABLES

The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors.

The allowance on trade receivables is analysed as follows:

	2022 HK\$'000	2021 HK\$'000
Total allowance made for trade receivables		
— based on expected credit losses methodology (note a)	<b>87,467</b>	94,904

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### (i) TRADE RECEIVABLES (Continued)

Notes:

- (a) The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2022, the loss allowance for trade receivables was determined as follows:

31 December 2022

	Receivables aged (based on invoice date)				Total
	0–30 days	31–90 days	91–360 days	more than 360 days	
Expected loss rate	1%	2%	2%	100%	
Gross carrying amount (HK\$'000)	173	57	–	87,467	87,697
Loss allowance (HK\$'000)	–	–	–	87,467	87,467

31 December 2021

	Receivables aged (based on invoice date)				Total
	0–30 days	31–90 days	91–360 days	more than 360 days	
Expected loss rate	100%	100%	100%	100%	
Gross carrying amount (HK\$'000)	61	–	–	94,904	94,965
Loss allowance (HK\$'000)	–	–	–	94,904	94,904

The above expected credit losses also incorporated forward looking information.

As at 31 December 2022, the Group had a concentration of credit risk given that the top 2 customers account for 99% (2021: 99%) of the Group's total year end gross trade receivables and allowance for trade receivables amounted to HK\$87,467,000 (2021: HK\$94,904,000), representing approximately 99% (2021: 99%) of the gross trade receivables was made.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### (ii) OTHER RECEIVABLES

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses  Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2022, the internal credit rating of other receivables is performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance on other receivables was recognised.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### (iii) CASH AT BANK AND BANK DEPOSITS

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2022 HK\$'000	2021 HK\$'000
Restricted bank deposits		235,797	439,905
Bank balances		16,127	46,646
Total bank deposits	Baa3–Aa2	251,924	486,551

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

### Liquidity risk

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

The maturity profile of financial assets and financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022					Carrying amount HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>Non-derivative financial assets</b>						
Trade receivables	230	–	–	–	230	230
Other receivables	206,808	–	–	–	206,808	206,808
Restricted bank balances	235,797	–	–	–	235,797	235,797
Cash and cash equivalents	16,031	–	–	–	16,031	16,031
	458,866	–	–	–	458,866	458,866

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

	2022					Carrying amount HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>Non-derivative financial liabilities</b>						
Trade payables, other payables and accruals	886,700	–	–	–	886,700	886,700
Amount due to a director	–	–	18,212	5,750	23,962	23,962
Promissory note payable	–	–	137,922	–	137,922	108,236
Loans and borrowings	75,045	–	358,324	1,145,943	1,579,312	1,362,623
Lease liabilities	–	–	465	–	465	465
	<b>961,745</b>	<b>–</b>	<b>514,923</b>	<b>1,151,693</b>	<b>2,628,361</b>	<b>2,381,986</b>

	2021					Carrying amount HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>Non-derivative financial assets</b>						
Trade receivables	61	–	–	–	61	61
Other receivables	182,048	–	–	–	182,048	182,048
Restricted bank balances	439,905	–	–	–	439,905	439,905
Cash and cash equivalents	46,609	–	–	–	46,609	46,609
	<b>668,623</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>668,623</b>	<b>668,623</b>

	2021					Carrying amount HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>Non-derivative financial liabilities</b>						
Trade payables, other payables and accruals	517,565	–	–	–	517,565	517,565
Amount due to non-controlling interest	2,142	–	–	–	2,142	2,142
Amount due to a director	–	–	–	51,798	51,798	40,747
Promissory note payable	–	–	–	137,922	137,922	107,827
Loans and borrowings	–	–	785,245	1,262,716	2,047,961	1,734,156
Lease liabilities	–	–	542	507	1,049	1,049
	<b>519,707</b>	<b>–</b>	<b>785,787</b>	<b>1,452,943</b>	<b>2,758,437</b>	<b>2,403,486</b>

# Notes to Consolidated Financial Statements

For the year ended 31 December 2022

## 54. FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

### (b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

## 55. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

## 56. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2022, nor had any dividend been proposed since the end of the reporting period (2021 Nil).

## 57. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 67 to 147 were approved and authorised for issue by the board of directors on 29 March 2023.

# Schedule of Major Properties

As at 31 December 2022

## PROPERTIES HELD FOR SALE UNDER DEVELOPMENT/UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Expected completion dates (i)	GFA for sale (sq.m.) (ii)	Other GFA (sq.m.) (iii)	Completed GFA for sale (sq.m.)	Completed Other GFA (sq.m.)	Ownership interest (%) (iv)
German City Hengqin New District Zhuhai City Guangdong Province PRC	Research/Development	60,340	4th quarter of 2023	49,999	95,177	-	-	70
Fuyuan Junting Ande Zhen Pidu District Chengdu City Sichuan Province PRC	Residential/Commercial	56,707	Phase 1: 2nd quarter of 2022; Phase 2: 2023	85,102	35,398	-	-	100
Fuyuan Square Jianfeng Nanzhufeng Da Dao Dong Ce Jingan Zhen Doumen District Zhuhai City Guangdong PRC	Commercial	48,653	2024	61,654	135,737	-	-	100

(i) the Group has the relevant land use rights certificates, but has not obtained the requisite construction approval from relevant governmental authorities.

(ii) "GFA for sale" and "Expected completion dates" are derived from the Group's internal records and estimates.

(iii) "Other GFA" mainly comprises areas not held for sale.

(iv) "Ownership interest" is based on the Group's effective ownership interest in the respective project companies.

## Five-Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

### RESULTS

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	1,601,799	7,774	22,360	34,466	18,086
PROFIT/(LOSS) BEFORE TAX	547,895	(341,102)	(216,593)	(233,773)	(133,846)
INCOME TAX (EXPENSE)/CREDIT	(217,761)	(404)	(162)	12,434	(2,334)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	330,134	(341,506)	(216,755)	(221,339)	(136,180)
<b>DISCONTINUED OPERATIONS</b>					
Profit for the year from disposed subsidiaries	–	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR	330,134	(341,506)	(216,755)	(221,339)	(136,180)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	265,177	(326,264)	(217,714)	(202,376)	(122,400)
NON-CONTROLLING INTERESTS	64,957	(15,242)	959	(18,963)	(13,780)
	330,134	(341,506)	(216,755)	(221,339)	(136,180)

## Five-Year Financial Summary

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
NON-CURRENT ASSETS	<b>1,815,016</b>	1,805,961	1,851,243	862,032	1,072,671
CURRENT ASSETS	<b>1,515,760</b>	2,610,045	2,159,710	914,024	448,593
ASSETS OF DISPOSAL GROUP					
CLASSIFIED AS HELD FOR SALE	–	175,007	–	–	–
CURRENT LIABILITIES	<b>(2,159,310)</b>	(3,420,643)	(2,101,821)	(788,194)	(276,429)
NON-CURRENT LIABILITIES	<b>(1,022,520)</b>	(1,243,231)	(1,701,665)	(593,544)	(619,121)
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS OF DISPOSAL GROUP					
CLASSIFIED AS HELD FOR SALE	–	(50,340)	–	–	–
NET (LIABILITIES)/ASSETS	<b>148,946</b>	(123,201)	207,467	394,318	625,714
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	<b>102,637</b>	(163,569)	152,739	342,423	553,723
NON-CONTROLLING INTERESTS	<b>46,309</b>	40,368	54,728	51,895	71,991
TOTAL EQUITY	<b>148,946</b>	(123,201)	207,467	394,318	625,714