金奧國際股份有限公司
KEYNE LTD

(formerly known as Nine Express Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 00009

ANNUAL REPORT
2022

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent Non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Neil Kai Gu *(appointed on 1 July 2022)*
Mr. Chiu Sin Nang, Kenny
(resigned on 1 July 2022)

COMPANY SECRETARY

Mr. Chen Kenneth

AUTHORISED REPRESENTATIVES

Ms. Qian Ling Ling
Mr. Zhang Li

AUDITOR

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Dongguan Rural Commercial Bank Company Limited
Bank of China (Hong Kong) Limited

AUDIT COMMITTEE

Mr. Tang Ping Sum *(Chairman)*
Mr. Tsui Pui Hung
Mr. Neil Kai Gu *(appointed on 1 July 2022)*
Mr. Chiu Sin Nang, Kenny
(resigned on 1 July 2022)

REMUNERATION COMMITTEE

Mr. Neil Kai Gu *(Chairman)*
(appointed on 1 July 2022)
Mr. Chiu Sin Nang, Kenny *(Chairman)*
(resigned on 1 July 2022)
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

NOMINATION COMMITTEE

Mr. Tsui Pui Hung *(Chairman)*
Mr. Tang Ping Sum
Mr. Neil Kai Gu *(appointed on 1 July 2022)*
Mr. Chiu Sin Nang, Kenny
(resigned on 1 July 2022)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4101, 41/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.keyneltd.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KEYNE LTD ("KEYNE" or the "Company"), I am pleased to present you with the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022 ("FY2022" or "Year under Review").

In 2022, the real estate industry in China was confronted with unprecedented challenges. Being affected by various unexpected factors such as the repeated occurrence of the COVID-19 pandemic across the country, the sales of commercial residential properties and the investment scale of property development in Mainland China both recorded substantial decrease. A number of well-known companies in the industry have arduously grappled with multiple challenges such as suspension of development projects in China and defaults on offshore dollar debt. Phenomena such as complaint-filing and suspension of mortgage payment by home buyers of pre-sale properties emerged in many cities across the country. While adhering to the key principle of "houses are for living instead of speculation", the regulation policies over the real estate industry have undergone slow changes since the second half of 2022, such as local governments of several major cities have relaxed the property purchase and credit grant restriction policies and encouraged consumption for improved housing by the citizens; The People's Bank of China, China Security Regulatory Commission and China Banking and Insurance Regulatory Commission have imposed the"3-pronged approach" over real estate financing, establishing a support system integrating credit, debt and equity financing policies, so as to ensure funds to finance the reasonable capital requirements of the real estate enterprises. For the medium to long run, as the real estate industry remained the ballast stone for the PRC economy, the real estate market continued to be the largest consumption market in China, playing an important role in driving steady economic growth and expanding domestic demand.

In 2022, the Group made strenuous efforts to promote two major tasks: (1) to facilitate the resumption of operation and construction of Xiangtan Project; and (2) to address the issue of existing offshore and onshore debts. The management team of Xiangtan Project actively carried out communication with the local government and successfully secured the Guaranteed Building Special Loan in the amount of over RMB100 million, offering strong support for the development and construction of the project. Meanwhile, for Xiangtan Project, the Group stepped up marketing efforts, proactively developed customers from surrounding cities such as Changsha and Hengyang, and sped up the collection of accounts receivable from property sales. The Group believes that, with the well-established complimentary facilities in the surroundings and the gradual implementation of related favourable policies, Xiangtan Project will achieve new heights in the sales in 2023. In view of the existing offshore and onshore debts, the management of the Group actively carried out communications with all creditors to give them a fair understanding of the current operation performance of the Group as well as the issues and challenges confronted by the Group, and have won recognition from some creditors who have agreed to extend the maturity of the loans. The Group believes that, with the improvement in the sales and financing environment for the real estate industry in Mainland China, the Company will be able to properly resolve its existing debt problem in the coming year.

Chairman's Statement

In 2022, the pre-opening leasing and rental collection of the Chengdu Huanghe Commercial City Project remained in a good condition. Due to its excellent geographical location and with its stable customer base, and with the gradual cessation of the COVID-19 Pandemic, we are expected sustainable and stable cash flow from the Chengdu Huanghe Commercial City Project for the development of the Group in the subsequent development of the project.

In 2022, against the backdrop of accelerated integration of the Greater Bay Area, the centralized heat supply project in Dongguan, which brings environmental protection benefits, social benefits and economic benefits, will significantly improve energy utilization efficiency, reduce the total coal consumption of the region and improve the quality of local atmospheric environment. The Group believes the Dongguan heat energy project will closely follow the development trend of national policies and continue to maintain a stable development momentum.

Last but not least, I would like to express my heartfelt gratitude to the shareholders, investors and business partners of the Group for their great trust and support. In addition, I would also like to take this opportunity to extend my sincere appreciation to members of the Board, management and all employees for their tireless efforts and due cooperation. Looking forward, the Group is confident about the prospect of the PRC economy and the positive and stable development trend of the real estate market in China. Upholding the principle of ”high-quality growth”, the Group will seek efficiency from management, enhance the quality level of refined operations and upgrade core capabilities in the principal business. Keeping doing the hard and right things, the Group endeavors to create maximum return for our shareholders.

Qian Ling Ling
Chairman

Management Discussion and Analysis

Since 2022, the Russia-Ukraine conflict has broken out, the impact of the pandemic on the economy has been amplified, and the global economic growth has slowed down. Bottlenecks in the global supply chain continued, commodity prices ran high, and inflation remained upwards, followed by US Federal Reserve's raising interest rate, which drove the world into a policy tightening cycle and intensified the challenges of global economic growth. China's economic growth slowed down due to the pandemic prevention and control measures in some areas from March to May this year. Fortunately, with the improvement of the domestic pandemic situation, the implementation of fiscal and monetary policies has been strengthened, and the economy has begun to recover strongly.

For the year ended 31 December 2022, the Group focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rental (the "**Chengdu Project**") in Chengdu, Sichuan Province and (iii) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK$17,186,000 (2021: HK$18,237,000). Property rental income dropped to approximately HK$17,186,000 (2021: HK$18,237,000) to the total revenue because of deduction of rental fee under COVID-19 pandemic and business turn down of some tenants. There is no income from sales of properties (2021: Nil) to the total revenue because area of detached villas will be finished construction by mid of Yr2023.

Loss attributable to owners of the Company was approximately HK$505,952,000 (2021: HK$537,362,000). Basic loss per share was approximately HK$14.18 cents (2021: HK$15.06 cents). The Board does not recommend dividend payout for the year ended 31 December 2022 (2021: Nil). As at 31 December 2022, cash and cash equivalents were approximately HK$1,119,000 (31 December 2021: HK$12,437,000).

BUSINESS REVIEW

(i) Xiangtan Project

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings. Situated in the Jiuhua Economic Zone of Xiangtan City, Hunan Province, the Xiangtan Project encompasses a land area of 559,696 square meters for the development of a five-star hotel and residential properties with ancillary commercial space, etc.

The Group continued to strengthen its brand influence and competitive edge, expanded its market share, and further consolidated its leading position in the Hunan Province. As a semi-detached villas provider, the Group focused on deepening the strategic cooperation with its major clients and actively expanded the high-end market while strengthening the intra-group management. The Group carefully organized the internal design, procurement, production and installation procedures, allocated resources and enhanced safety control so as to ensure quality, safety and efficiency of the projects during construction period.

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings, as well as the hotel's interior decoration and exterior landscape construction. Despite slowdown in construction progress due to the impact of the COVID-19 pandemic, the Xiangtan Project has still overcome difficulties and obtained pre-sale permits for two high-rise commercial residential buildings. Such residences received overwhelming market response and recorded a high sell-through rate after coming into the market.

The Xiangtan Project will speed up the development of high-rise residential buildings to successively launch all remaining high-rise residences in Phase II in the hope of launching relevant products into the market in 2023, and accelerate the construction work of hotel which will be opened in 2024.. The continual launches and high sell-through rate of high-rise residential products will further improve the financial position of the Group while effectively supplementing the cash flow of the project.

(ii) Chengdu Project

For the year ended 31 December 2022, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenue of approximately HK$17,186,000 (2021: HK$18,327,000) from property rental were recorded for the year ended 31 December 2022. The decrease in rental income was mainly due to deduction of rental fee under COVID-19 pandemic, and business turn down of some tenants.

(iii) Centralised Heat Supply Business

As at 31 December 2022, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited ("**Ever-Grand**"), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36 "Impairment of Assets". The recoverable amount was determined at approximately HK$197,368,000 (2021: HK$254,175,000), which was approximately 5.9% (2021: 6.8%) to the Group's total assets of approximately HK$3,338,245,000 (2021: HK$3,743,062,000) at 31 December 2022.

Currently, the Group is supplying steam to around 18 (2021: 25) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2021: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK$30,614,000 (2021: HK$47,120,000) to Ever-Grand, representing a decrease of 35.0% as compared with the last reporting period. However, in the ChangAn town, as a result of the continuous delay of the pipeline deployment plan, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

The financial projections, in particular, the capital expenditures ("**CAPEX**") plan of Ever-Grand have been delayed from the period from 31 December 2022 to 31 December 2023, further delayed to the period from 31 December 2023 to 31 December 2026, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the valuation for the year ended 31 December 2022 with valuation for the year ended 31 December 2021. The Management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2023 in arriving at a more conservative estimate which better reflect the industry outlook. As a result of the decrease in revenue projection of Ever-Grand, the cost of goods sold, management expense, business tax and surcharge and staff expense in respect of Ever-Grand have been reduced accordingly.

IMPAIRMENT LOSSES, FAIR VALUE LOSS AND WRITTEN DOWN

The COVID-19 pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting Xiangtan Jinao Swissotel Hotel and construction in progress impairment assessment. The Group recorded impairment loss of construction in progress of Hunan Xiang Tan Project Phase I Hotel of approximately HK$90,873,000 (2021: HK$156,244,000) during the year ended 31 December 2022. The Group also recorded fair value loss of Cheng Du Min Zu Plaza and impairment loss of the 49% equity interest in Ever-Grand of approximately HK$10,696,000 (2021: HK$14,103,000), and HK$55,859,000 (2021: HK$5,186,000) in 2022. The Group has also recorded the written down of properties under development of detached villa in Xiangtan Project of approximately HK$50,238,000 during the year ended 31 December 2022 (2021: Nil).

VALUATION METHOD AND THE REASONS FOR USING THE VALUATION METHOD

In applying the Income Approach to the valuation of the fair value of the 49% equity interest in Ever-Grand Development Limited ("Ever-Grand"), the discounted cash flow ("DCF") methodology was used. The DCF methodology views a company as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate debt-free cash flow in the future. Debt-free cash flow is defined as cash that is available either to invest in new or existing businesses or to distribute to investors (both debt and equity investors). Reasonable projections of revenues, expenses, and reinvestment requirements (i.e. working capital and capital expenditures) form the basis for estimating the future debt-free cash flows that a company will likely generate from its existing business. The Management of the Ever-Grand provided the financial projections for the financial year ending from 31 December 2023 to 31 December 2027. These projections formed the basis of the DCF analysis. The DCF analysis was based on key qualitative factors applicable to the valuation of the 49% equity interest in Ever-Grand, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the Management of the Ever-Grand.

The debt-free cash flow for each year of the projection period was calculated by adding back after tax interest expenses and other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortization, were then added and incremental investments in working capital, and capital expenditures ("CAPEX") were deducted, all of which were provided by Management of the Ever-Grand.

In addition to calculating the debt-free cash flows throughout the projection period, it was necessary to calculate the terminal value of the Company, which reflects the value of the total capital at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long term growth rate. The projected free cash flows, including the terminal value, were discounted to present value at an appropriate rate of return, or "discount rate."

In determining the fair value of the 49% equity interest in Ever-Grand, the independent valuer (the "Valuer") based on the share of the present value of the estimated future cash flows expected to be generated by the Ever-Grand, including the cash flows from the operation of the Ever-Grand during the forecast period and the terminal value. Unless otherwise noted, in estimating the fair value of the subject assets, the Valuer assumed the assets will remain a going concern in accordance with the relevant accounting literature. In estimating the fair value of the common equity of the Company, the Valuer relied primarily on the Income Approach in the form of a discounted cash flow ("DCF") methodology.

The Valuer has referenced to HKAS 36 and adopted income-based approach in valuing the fair value of Ever-Grand, in which five-year financial forecasts were adopted in measuring the fair value of Ever-Grand as at 31 December 2022. Under the income-based approach, the Valuer has adopted the discounted cash flow method to discount all future cash flows into present value.

As such, fair value less cost of disposal was adopted as the recoverable amount of the CGU, assuming immaterial disposal cost. The valuation method of discounted cash flow has been consistently applied in the valuation 49% equity interest in Ever-Grand Development Limited since year ending December 2016, for annual financial reporting purpose.

DISCOUNT RATE

The pre-tax discount rate adopted for determining the fair value of the 49% equity interest in Ever-Grand Development Limited was decreased from 15.7% in the valuation as at 31 December 2021 to 14.9% in the valuation as at 31 December 2022. With the set of comparable companies, the decrease in discount rate was mainly due to the increase in comparable companies' debt to equity ratio and the decrease in comparable companies' beta coefficient as extracted from Bloomberg.

MAJOR ASSUMPTIONS

Set out below are the major assumptions adopted by in the 2022 Valuation are, among others, as follows:

The valuation was mainly based on the projections of the future cash flows for the period from year ending 31 December 2023 to 31 December 2027, as provided by the management of the Ever-Grand Group (the "Management"). The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

The projection adopted in valuation was relied on the information provided by the Management, which included but not limited to revenue, cost of sales, business tax and surcharge, administrative expense and capital expenditure;

Ever-Grand Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to Ever-Grand Group;

To continue as a going concern, Ever-Grand Group will successfully carry out all necessary activities for the development of its business;

The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

The availability of financing will not be a constraint on the forecast growth of Ever-Grand Group 's operations;

Market trends and conditions where Ever-Grand Group operates will not deviate significantly from the economic forecasts in general;

Key management, competent personnel and technical staff will all be retained to support ongoing operations of Ever-Grand Group;

There will be no material changes in the business strategy of Ever-Grand Group and its expected operating structure;

All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where Ever-Grand Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which Ever-Grand Group operates or intends to operate, which would adversely affect the revenues and profits attributable to Ever-Grand Group.

FINANCING ACTIVITIES AND EVENT AFTER THE REPORTING PERIOD

The outstanding loan facilities of USD36,509,876 as at 31 December 2022 provided by China Huarong International Limited (中國華融國際股份有限公司) ("HuaRong International")

The management of the Company held a meeting with the management of HuaRong International in the headoffice of HuaRong International in March 2022 to discuss loan extension and restructure issue, at which the Company presented an overview of the current sales of the Xiangtan Project and the operation performance of the Company. With the implementation of economic stimulus packages and favourable policies for the real estate industry proposed by the central and local governments, both parties reached the consensus that the residential property sales market in Mainland China will gradually recover.

HuaRong International remains confident in our capability for repayment of indebtedness after recovery of sales performance, and has agreed to allow us more time to properly deal with our debt issue. After the meeting, HuaRong International indicated their intention to assign a team to conduct due diligence work on the Company's project. However, due to the lockdown measures implemented in Shanghai, the onsite due diligence work was temporarily suspended in May 2022, and resume to normal already.

The outstanding loan facilities of USD18,387,188 as at 31 December 2022 provided by Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai International")

Donghai International agreed to extend the loan facility to the end of Yr2022 and will continue to discuss after Yr2022. The project management personnel of Donghai International were invited and paid a visit to Nanjing to discuss the existing debts of the Company with the substantial shareholders, de facto controller and chief financial officer of the Company in April 2022. The current liquidity shortage faced by the Company is a temporary issue due to the impact of the COVID-19 pandemic on property sales.

With the success in pandemic containment and the implementation of favourable policies for the real estate industry by various local governments, the property market in Mainland China is expected to gradually recover. Donghai International has agreed to allow more time for the Company to properly deal with its debt issue. Subsequently, the Donghai International also paid a field trip to the Xiangtan Project.

The outstanding loan facilities of RMB662,370,000 as at 31 December 2022 provided by China Huarong Asset Management Co., Ltd (Beijing Branch)* (中國華融資產管理股份有限公司北京市分公司) ("China Huarong")

Chengdu Zhongfa Yellow River Industry Co., Ltd* (成都中發黃河實業有限公司) ("**Chengdu Zhongfa**"), an indirect wholly-owned subsidiary of the Company, has recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No. 694* ((2022)京01執694號《執行通知書》) (the "**First Enforcement Notice**") from the Beijing No. 1 Intermediate People's Court* (北京市第一中級人民法院) (the "**Beijing Court**").

Pursuant to the First Enforcement Notice, the Beijing Court has ordered for the mandatory enforcement of the execution certificate numbered (2022) Jing Zhongxin Zhi No. 00413* ((2022) 京中信執字第00413號《執行證書》) issued by the Beijing Zhongxin Notary Public Office* (北京市中信公證署) (the"**Beijing Notary Office**") ordering, among other defendants, Chengdu Zhongfa, Hunan Jiuhua Dong Fang Hotel Co., Ltd* (湖南九華東方酒店有限公司) ("**Dong Fang Hotel**"), Hunan Jiuhua International New City Development Construction Co., Ltd* (湖南九華國際新城開發建設有限公司) ("**Hunan Jiuhua International**"), being indirect wholly-owned subsidiaries of the Company, and Ms. Qian Ling Ling ("**Ms. Qian**"), the chairman of the Board and executive Director, to repay China Huarong Asset Management Co., Ltd (Beijing Branch)* (中國華融資產管理股份有限公司北京市分公司) ("**China Huarong**") the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount of not less than approximately RMB203 million, pursuant to certain loan assignment agreement, loan agreements, supplemental loan agreements and guarantee agreement entered into among Chengdu Zhongfa, Dong Fang Hotel, Hunan Jiuhua International, Ms. Qian and China Huarong (the "**First China Huarong Proceedings**").

Hunan Jiuhua International has recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No. 695* ((2022)京01執695號《執行通知書》) (the "**Second Enforcement Notice**") from the Beijing Court.

Hunan Jiuhua International has also recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No. 697* ((2022)京01執697號《執行通知書》) (the "**Third Enforcement Notice**") from the Beijing Court.

Pursuant to the Second and Third Enforcement Notice, the Beijing Court has ordered for the mandatory enforcement of the execution certificate numbered (2022) Jing Zhongxin Zhi No. 00414* ((2022) 京中信執字第00414號《執行證書》), and Jing Zhongxin Zhi No. 00415* ((2022) 京中信執字第00415號《執行證書》) issued by the Beijing Notary Office ordering, among other defendants, Hunan Jiuhua International and Ms. Qian, to repay China Huarong the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount of not less than approximately RMB468 million, and RMB270 million (including the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount), pursuant to certain loan assignment agreement, loan agreements, supplemental loan agreements and guarantee agreement entered into by, among others, Hunan Jiuhua International, Ms. Qian and China Huarong.

The negotiation of the loan for repaying China Huarong outstanding loan principal with default interests, legal costs and notary fee is still in progress and the restructure of loan is necessary. China Huarong agreed to extend the loan facility in December 2022.

The outstanding loan facilities of RMB250,000,000 as at 31 December 2022 provided by Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch)* (浙江稠州商業銀行股份有限公司南京分行) ("ZCCB")

The Company has recently received, among other court documents, a writ of summons (傳票), notice of response (應訴通知書) and civil complaint (民事起訴狀) (the "**ZCCB Civil Complaint**") from the Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) (the "**Jiangsu Court**") in the legal proceedings (2022) Su 01 Minchu No. 2374* ((2022)蘇01民初2374號) (the "**ZCCB Proceedings**").

Pursuant to the ZCCB Civil Complaint, the Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch)* (浙江稠州商業銀行股份有限公司南京分行) ("**ZCCB**") as plaintiff, sought orders from the Jiangsu Court against the Company as defendant, for the repayment to ZCCB all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment in respect of the loan agreement dated 17 November 2020 and the settlement agreement dated 17 December 2021 entered into between Chengdu Zhongfa as borrower and ZCCB as lender (collectively, the "**ZCCB Loan Agreements**") for the loan principal of RMB250,000,000 (the "**ZCCB Loan**"), on the basis of the Company's alleged joint and several liability to the ZCCB Loan under the guarantee agreement dated 17 November 2020 entered into between the Company as guarantor and ZCCB as lender in respect of the ZCCB Loan.

The Company has recently received a court notice (the "**Court Notice**") and enforcement judgement numbered (2023) Su 0105 Zhihui No. 53* ((2023)蘇0105執恢53號《公告》及《執行裁定書》) (the "**Judgement**") from the Nanjing Jianye District People's Court* (南京市建鄴區人民法院) (the"Nanjing Court"). Pursuant to the Court Notice and the Judgement, given that the defendant under ZCCB Proceedings failed to perform their obligations under the Judgement, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa's real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao.

The Company is currently liaising and negotiating with the creditor for the restructuring and/or extension of the relevant loan.

The outstanding loan facilities of RMB54,900,000 as at 31 December 2022 provided by Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch)* (中國工商銀行股份有限公司湘潭湘江支行) ("ICBC")

Pursuant to the ICBC Civil Complaint, the Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch)* (中國工商銀行股份有限公司湘潭湘江支行) ("**ICBC**") as plaintiff, sought from the Hunan Court against, among others, Dong Fang Hotel and Hunan Jiuhua International as defendants, the following orders:– (i) that Dong Fang Hotel be ordered to repay to ICBC all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment (the "**ICBC Liabilities**") in respect of the loan agreement dated 11 September 2012 for the loan principal of RMB250,000,000, the first loan extension agreement dated 31 March 2016 for the loan principal of RMB190,000,000, the second loan extension agreement dated 30 December 2019 for the loan principal of RMB68,000,000, the third loan extension agreement dated 11 December 2020 for the loan principal of RMB20,000,000 and the fourth loan extension agreement dated 28 June 2021 for the loan principal of RMB60,000,000 all entered into between Dong Fang Hotel as borrower and ICBC as lender (collectively, the "**ICBC Loan Agreements**", and "ICBC Loans" refers to the loans granted by ICBC to Dong Fang Hotel under the ICBC Loan Agreements); (ii) among other defendants, Hunan Jiuhua International and Ms. Qian be ordered to repay the ICBC Liabilities on the basis of Hunan Jiuhua International's and Ms. Qian's alleged joint and several liability to the ICBC Loans under the guarantee agreement dated 28 June 2021 entered into between Hunan Jiuhua International as guarantor and ICBC as lender in respect of the ICBC Loans, and the guarantee agreement dated 29 June 2021 entered into between Ms. Qian as guarantor and ICBC as lender of the ICBC Loans. The ICBC Civil Complaint was accepted by the Hunan Court and the ICBC Proceedings have been scheduled for hearing on 6 September 2022.

Hunan Jiuhua Dong Fang Hotel Co., Ltd* (湖南九華東方酒店有限公司) ("**Dong Fang Hotel**") and Hunan Jiuhua International New City Development Construction Co., Ltd* (湖南九華國際新城開發建設有限公司) ("**Hunan Jiuhua International**"), being indirect wholly-owned subsidiaries of the Company, have recently received from the People's Court of Yuhu Distrist, Xiangtan City, Hunan Province* (湖南省湘潭市雨湖區人民法院) (the "**Hunan Court**") the civil judgement (民事裁定書) (2022) Xiang 0302 Minchu No. 2878 Zhiyi* ((2022)湘 0302 民初 2878 號之一). Pursuant to the civil judgement, the Hunan Court has passed the application made by Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch) ("**ICBC**") (as the Applicant) to apply for property preservation against Dong Fang Hotel, Hunan Jiuhua International and Ms. Qian Lingling, the chairman and executive director of the board of directors ("**Ms. Qian**"), and ruled to freeze the bank deposits, valued RMB56,481,508.80 of Dong Fang Hotel, Hunan Jiuhua International and Ms. Qian or seal up or distrain upon other property of equal value.

The Company is currently liasing and negotiating with the creditor for the restructing and/or extension of the relevant loan.

The outstanding loan of RMB105,410,000 as at 31 December 2022 provided by Hunan Government

The Guaranteed Building Special Loan (「保交樓專項借款」) provided by Hunan Government to support the property development under the Hunan Xiangtan Project. This could speed up the development of existing Xiangtan Project and relieve capital pressure.

The management of the Company are of the view that the main issue currently affecting its going-concern operation is the relatively large amount of debts that will be due for payment in the short period of time, coupled with the impact on its short-term cash flow caused by the COVID-19 pandemic and real estate policies implemented in Mainland China, resulting in default events of delayed or overdue payment of loan principal and interest.

However, once the project resumes normal sales, the Company will raise sufficient fund through destocking of the project to repay all existing debts and finance its normal operations. In addition, the Chengdu Project will generate stable annual revenue for the Company. Given all the above, from the long term perspective, there is no doubt regarding the Company's ability to continue as a going concern.

PROSPECTS

Being affected by several short-term factors such as the prolonged and repeated occurrence of COVID-19 pandemic, escalated geopolitical conflicts, tightening macro-economic policy environment and frequent major climate disasters, the growth rate of the global economy has significantly slowed down in 2022. Due to the negative impacts of several factors such as the stringent "Zero-COVID" pandemic control and lockdown measures and the ongoing downturn of the real estate industry, the PRC economy was also faced with unprecedented challenges in 2022. Nevertheless, with the continued optimisation and adjustment of the pandemic prevention and control measures, the PRC economy has shown strong recovery momentum, which has also boosted confidence in global economic growth.

In 2022, the real estate market in Mainland China also underwent a transition from rapid decline to gradual recovery. In 2022, due to the repeated occurrence of the pandemic across Mainland China, the development projects of many well-known real estate developers were brought to a halt. Coupled with the weakened housing demand in the medium to long term, the real estate industry was confronted with unprecedented challenges. While adhering to the key principle of "houses are for living instead of speculation", the Chinese government has proactively adjusted its real estate policies. Since November 2022, The People's Bank of China, China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission have successively launched favorable policies for real estate financing and adopted a "3-pronged approach" to promote the steady development of the property market, establishing a comprehensive support system integrating credit, bonds and equity financing policies for the healthy development of the real estate enterprises.

In 2023, as the real estate industry has been reiterated as the pillar of the national economy, to ensure timely property delivery, people's livelihoods and stability will become top priorities of the real estate industry in the coming year, and therefore it is expected that greater efforts will be made to meet both the demands for residence and improved accommodations. While continuing to consolidate the real estate development business, which is the Group's core business, the Group will focus on property management, commerce management, hotel management and other areas as priorities for development. In 2023, the Group will continue to explore the real estate markets in Changsha and Xiangtan, step up the development of the existing Xiangtan Project and speed up sales pace, so as to accelerate cash collection and relieve capital pressure. In addition, on the land bank front, the Group will proactively seize opportunities to acquire lands and carry out acquisitions and mergers in the first and second-tier cities, metropolitan areas with great development potential, so as to ensure long-term sustainable development.

In order to seize the development opportunities arising from the national strategy of "emission peak and carbon neutrality", in 2023, the Group plans to explore and develop innovative green technologies such as prefabricated construction while maintaining steady development of the centralised heat supply business. Through cooperation with the leading prefabricated construction enterprises in the industry, the Group aims to introduce relevant technologies, to conduct researches, to overcome technological bottlenecks, and to apply research results to the Group's existing property development projects, with an aim of achieving a win-win situation, gaining both economic benefits and environmental benefits for the Group. Meanwhile, the Group will proactively analyse and expound the feasibility of its engagement in photovoltaic power generation, power storage and other related projects, and will also seek to form partnerships with renowned enterprises in the industry.

In 2023, driven by the combined effect of a gradual upturn in demand and policy support, the PRC economy and social development will be given a further boost, continuing to play the role of recovery stabiliser and growth engine of the global economy. As opportunities and challenges coexist, the Group will take measures to overcome challenges and capture opportunities, remain prudent and pragmatic, meanwhile actively exploring fresh concepts to strive for new development dimensions with high quality.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's net current liabilities were approximately HK$1,328,299,000 (31 December 2021: HK$1,016,251,000), with current assets of approximately HK$2,718,229,000 (31 December 2021: HK$2,920,689,000) and current liabilities of approximately HK$4,046,528,000 (31 December 2021: HK$3,936,940,000), representing a current ratio of approximately 0.67 (31 December 2021: 0.74). As at 31 December 2022, the Group had cash and cash equivalents of approximately HK$1,119,000 (31 December 2021: HK$12,437,000).

CAPITAL STRUCTURE

As at 31 December 2022, the Group's total capital deficiency amounted to approximately HK$889,054,000 (31 December 2021: HK$373,393,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2022, the Group's outstanding borrowings were approximately HK$1,839,132,000 (31 December 2021: HK$1,763,611,000). The Group's bank borrowings of approximately HK$62,037,000 (31 December 2021: HK$67,332,000) were secured by the Group's leasehold lands and construction in progress with a net carrying amount of approximately HK$25,752,000 (31 December 2021: HK$37,075,000) and approximately HK$216,551,000 (31 December 2021: HK$329,044,000) respectively. The Group's bank borrowings of approximately HK$282,025,000 (2021: HK$306,110,000) secured by Group's investment properties with a net carrying amount of approximately HK$172,719,000 (31 December 2021: HK$198,727,000).

The Group's borrowings from a former shareholder of approximately of HK$13,500,000 was assigned to a related party upon the execution of a deed of assignment, were unsecured. The Group's borrowing from a director of approximately of HK$7,380,000 (31 December 2021: HK$2,280,000) were unsecured.

The Group's other borrowings of approximately HK$179,376,000 (31 December 2021: HK$135,170,000) were unsecured. The Group's other borrowings of approximately HK$143,567,000 (31 December 2021: HK$143,483,000) were secured by share charge over the equity interest in Ever-Grand and certain properties for sales or under development executed by certain related parties. The Group's other borrowings of approximately of HK$285,069,000 (31 December 2021: HK$284,704,000) were secured by share charges given by Keyne Holdings Limited, the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The Group's other borrowings of approximately of HK$747,259,000 (31 December 2021: HK$811,032,000) were secured by certain properties under development, with a net carrying amount of approximately HK$1,517,323,000 (31 December 2021: HK$1,724,651,000). The Group's Guaranteed Building Special Loan by Hunan Government of approximately of HK$118,919,000 (31 December 2021: Nil).

The gearing ratio based on borrowings over total deficit as at 31 December 2022 was approximately -2.07 (31 December 2021:-4.72).

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of approximately HK$3,588,835,000, the Group's current liabilities exceeded its current assets by approximately HK$1,328,299,000 and the Group's net liabilities amounted to HK$889,054,000 as at 31 December 2022. As at the same date, the Group's total borrowing amounted to approximately HK$1,839,132,000, of which current borrowing amounted to approximately HK$1,808,203,000, while its cash and cash equivalents amounted to approximately HK$1,119,000 and restricted bank deposits amounted to approximately HK$12,438,000. In addition, as at 31 December 2022, loan principal repayments of HK$1,638,876,000 relating to certain borrowings of the Group of principal amount of HK$490,673,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. The Group had failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in aggregate of approximately HK$282,025,000. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the economic situations in Yr2023 will be changed after the pandemic prevention of control policy had been released:

Sales plan of the Xiangtan Project for 2023:

Since November 2022, the government optimised the pandemic prevention and control policy, and meanwhile introduced a number of economic stimulation policies and the easing policies on real estate industry including the relaxation of the home-purchase and sales restriction, cutting the mortgage loan interest rate and supporting re-financing for property developers. With the gradual recovery of the economy and the improvement of the real estate market, the Company expects the sales of the Xiangtan Project will gradually pick up in the second half of 2023.

Cost control policy for 2023

The Company will continue to strictly implement the cost control policy while maintaining stable business operation, so as to further lowering administration expenses.

Further financial strategy planning for 2023

As the leveraging on the convenience brought by the reopening of the border between Mainland China and Hong Kong, the Group enhanced communications with the financial institutions in Mainland China to address the debt issues of the Group. The management made several visits to Mainland China and engaged in face-to-face communications with a number of financial institutions in February and March 2023 to discuss solutions to address the debts issue of the Group.

The Directors of the Company are of the view that the main issue currently affecting its going-concern operation is the relatively large amount of debts that will be due for payment in the short period of time, coupled with the impact on its short-term cash flow caused by the COVID-19 pandemic and real estate policies implemented in Mainland China, resulting in default events of delayed or overdue payment of loan principal and interest.

However, once the project resumes normal sales, the Company will raise sufficient fund through destocking of the project to repay all existing debts and finance its normal operations. In addition, the Chengdu Project will generate an annual revenue of approximately HK$50 million for the Company. Given all the above, from the long term perspective, there is no doubt regarding the Company's ability to continue as a going concern.

Therefore, the improvement measures were performed to address the mismatch between the short-term cash flow and short-term debts of the Company:

(i) The Group is negotiating with several financial institutions and seeking for various options for fund to finance the Group's working capital and commitments in the foreseeable future. By negotiating with existing financial institutions to reach debt restructuring or extension agreements, or seeking new long-term debts to replace existing short-term debts, the Company may match the maturity of its debts with the timing of development and destocking of the projects, so as to fundamentally solve the short-term going concern issue. The management of the Company is confident that it will be able to extend the loans or complete debt restructuring to resolve the going concern issue before the end of the new financial year;

(ii) The Group will seek to accelerate the pre-sales of its properties under development (including remaining units of property projects and saleable car parks). Currently, the sale of the properties of Xiangtan Project is the Company's primary source of cash flow. By accelerating the sale of the properties, the Company may meet the cash flow requirements for project development and pay interest on debts with the cash inflows from property pre-sales, thereby improving its cash flow;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization, management remuneration adjustments and capital expenditure control. This measure may reduce cash outflow and improve the cash flow of the Company; and

(iv) With the adjustment and optimisation of the pandemic prevention and control policy by the government in November 2022, the economic development and daily life gradually returned to normalcy, and now the pandemic basically imposes no impacts on the economic activities and daily life. The Group seized the opportunity to actively facilitate the construction and sales of the Xiangtan Project.

The management of the Company believes that, from the long term perspective, there is no doubt regarding the Company's ability to continue as a going concern and that the short-term going concern risks will be solved through the implementation of the above measures.

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 39 to the consolidated financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2022 was approximately HK$13,781,000 (2021: HK$18,950,000). The Group had a workforce of 42 (2021: 66). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2022 (2021: Nil).

Corporate Governance Report

The Group is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2022 (the "Year"), the Company complied with all the applicable code provisions of the Part 2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report describes the Company's corporate governance practices and explains its applications.

The Company is an investment holding company. The Group is principally engaged in property rental and property and hotel development in the PRC as well as centralised heat supply. In order to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and development, the Board has set out the following guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

Corporate Mission	–	Provide best services Assist in the economic upswing
Corporate Vision	–	Build a brand with excellence Establish a corporate with strengths
Core competitiveness	–	Professionalism Integrity Standardization Efficiency
Corporate Responsibility	–	Create values for clients Seek opportunities for employees Commit to the society

The Board is satisfied that the missions, visions and strategies of the Company aligned with its culture and such culture instilled and continually reinforced across the organization values.

DIRECTORS' SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors who were in office during the Year under Review was made and they have confirmed compliance with the Model Code during the financial year.

BOARD OF DIRECTORS

(I) Composition of the Board

The Board currently comprises 6 Directors, with 3 executive Directors and 3 independent non-executive Directors whose biographical details are set out in "Biographical Details of Directors" on pages 73 to 74. The Directors for the Year and up to the date of this report were as follows:

Executive Directors
Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent Non-executive Directors
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Neil Kai Gu *(appointed on 1 July 2022)*
Mr. Chiu Sin Nang, Kenny *(resigned on 1 July 2022)*

The Board is comprised of experienced and high competence individuals and a balanced composition of executive and non-executive Directors.

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential contribution to the growth and development of the Group and its businesses. The Directors had no financial, business, family or other material/relevant relationship with each other during the Year under Review.

(II) Operation of the Board

The Company is headed by the Board which takes decisions objectively in the interests of the Company. To provide effective supervision of and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Group's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control. The Board also responsible for effective governance and oversight of Environmental, Social and Governance matters and to review and monitor all policies and practices on corporate governance of the Company. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions and telephone conference/physical meeting.

A clear division of responsibilities is evident between the Board and the management. Decisions on important matters, such as the Group's strategic policies, major investment, funding decisions and major commitments relating to the Group's operations, are specifically reserved to the Board while decisions on the Group's general day-to-day operations are delegated to the management.

(III) Board Independence

During the Year, the Company has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. During the Year, the Board has reviewed the implementation and effectiveness of the following mechanisms at the Board meeting:

(a) Three out of six Directors are independent non-executive Directors, which meets the requirement of the Listing Rules that the Board must have at least three independent non-executive Directors and excesses the requirement that at least one-third of the Board are independent non-executive directors.

(b) The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director before appointment. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.

(c) All Directors are entitled to retain independent professional advisors as and when it is required.

(d) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.

(e) The Chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors.

(f) A Director (including independent non-executive Director) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

(g) No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

(IV) Directors' training and continuous professional development

Newly appointed Directors have received briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Directors are kept informed of the Group's affairs and development in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as Directors effectively.

The Company continuously provides updates and presentations to Directors on the latest developments relating to the Group's business and the legislative regulatory requirements to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

During the Year, the Directors have also participated the following:

Directors	**Attending seminar(s) and/or conference(s) on regulations and updates and/or reading materials relating to business and operation of the Company, and legal and regulatory updates**
Ms. Qian Ling Ling	✓
Mr. Zhang Li	✓
Mr. Xiang Junjie	✓
Mr. Tsui Pui Hung	✓
Mr. Tang Ping Sum	✓
Mr. Neil Kai Gu *(appointed on 1 July 2022)*	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. During the Year under Review, the chairman, Ms. Qian Ling Ling, focused on the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Mr. Zhang Li, was responsible for all day-to-day corporate management matters as well as assisting the chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

NON-EXECUTIVE DIRECTORS

All non-executive Directors are appointed for a specific term of one year from the dates of their appointments which will be renewed automatically unless early terminated by either party with at least one month prior written notice. However, they are appointed subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "Bye-laws").

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

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") consists of 3 independent non-executive Directors namely Mr. Neil Kai Gu, Mr. Tang Ping Sum and Mr. Tsui Pui Hung. Mr. Neil Kai Gu is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year. 2 meetings were held during the Year, during which the remuneration policy of the Company, the remuneration packages of the Directors and senior management of the Group were reviewed and recommended the remuneration package of the proposed new independent non-executive Director for the Board to approve. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out in "Attendance Records at Meetings" on page 27.

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for establishing remuneration policy as well as reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Company has adopted a Remuneration Policy which sets out the general principles with guide of the Group to deal with remuneration matters with Directors. Executive Directors' remuneration packages shall comprise fixed and variable components linking to individual and the Group's performance and comparable to our competitors. The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee.

Details of the remuneration paid to members of senior management of the Group (including the Directors) by band for the Year are set out below:

Remuneration band	Number of senior management
Below HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1

Details of the Directors' and chief executive's emoluments and five highest paid individuals are set out in note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has set up a nomination committee (the "Nomination Committee") in compliance with the CG Code. The Nomination Committee consists of 3 independent non-executive Directors namely Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Neil Kai Gu. Mr. Tsui Pui Hung is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. 2 meetings were held during the Year, during which the retirement and re-election of Directors at the annual general meeting in 2022 was discussed; the suitability of the structure, size and composition based on a range of diversity perspectives (including but not limited to gender, age, ethnicity, professional experience, skills, knowledge and length of service) of the Board with respect to the corporate strategy and future development of the Company were reviewed and recommended the proposed appointment of independent non-executive Director for the Board to approve. Attendance of the members of the Nomination Committee is set out in "Attendance Records at Meetings" on page 27.

The Board has adopted a nomination policy (the "Nomination Policy") for formalising the current nomination practice of the Company. The Nomination Policy sets out the selection criteria and nomination procedures for Nomination Committee and the Board in assessing the suitability of a proposed candidate is qualified for directorship. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

According to the terms of reference of the Nomination Committee, its major duties and functions, inter alias, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on the nomination and appointment or re-appointment of Directors and the succession planning of the Directors and assess the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") in relation to the nomination and appointment of new directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural and educational background, industrial and professional experience, skills, knowledge and length of service.

Currently, the Board comprises six Directors, of whom three are executive Directors and the remaining three are independent non-executive Directors. The current Board comprises individuals who are professionals with real estate, investment, accounting, financial, general management and legal backgrounds. The Board places emphasis on diversity (including gender diversity) across all levels of the Group. Details on the gender ratio of the workgroup of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 41 to 55 of this Annual Report.

During the Year, the Nomination Committee has reviewed the Board Diversity Policy and believed that it has been implemented effectively.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors namely Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Neil Kai Gu. Mr. Tang Ping Sum is the chairman of the Audit Committee and he has appropriate professional qualifications or accounting or related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

4 Audit Committee meetings were held during the Year. Members of the Audit Committee have reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2021, the unaudited interim results of the Company for the six months ended 30 June 2022, the internal control systems and risk management of the Group, proposed and recommendation to the Board for the audit planning report of the Group for the Year. All work and findings of the Audit Committee has been reported to the Board. During the Year, no issue brought to the attention of the Board was of sufficiently important to require disclosure in this report. Attendance of the members is set out in "Attendance Records at Meetings" on page 27.

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alias, are to review the half-year and annual financial statements before submission to the Board, to review the Company's statement on risk management and internal control systems and effectiveness of the internal audit and to review the Whistleblowing Policy and Anti-corruption Policy of the Group. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

On 29 March 2023, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed with the external auditors about the content of the auditor's report. The Group's consolidated financial statements for the Year have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the Year.

ATTENDANCE RECORDS AT MEETINGS

There were four regular Board meetings and one annual general meeting held during the Year. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to a meeting in accordance with the Listing Rules and the CG Code. The attendance records of each Director at the various meetings of the Company during the Year are set out below. All business transacted at the below meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

	Attendance/Number of meetings held during the Year				
	Annual general meeting	**Board meetings**	**Remuneration committee meetings**	**Nomination committee meetings**	**Audit committee meetings**
Number of meetings	1	6	2	2	4
Executive Directors					
Ms. Qian Ling Ling	1/1	6/6	N/A	N/A	N/A
Mr. Zhang Li	1/1	6/6	N/A	N/A	N/A
Mr. Xiang Junjie	1/1	6/6	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Tang Ping Sum	1/1	6/6	2/2	2/2	4/4
Mr. Tsui Pui Hung	1/1	6/6	2/2	2/2	4/4
Mr. Neil Kai Gu *(appointed on 1 July 2022)*	0/0	2/2	0/0	0/0	2/2
Mr. Chiu Sin Nang, Kenny *(resigned on 1 July 2022)*	1/1	3/3	1/1	1/1	2/2

AUDITOR'S REMUNERATION

The fee in relation to the audit services for the Year provided by CL Partners CPA Limited, the external auditor of the Company, amounted to HK$1,500,000.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Year and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirement.

GOING CONCERN AND MITIGATION MEASURES

The steps taken by the Group after the publication of 2021 Annual Report and the reasons of resulting in disclaimer of opinion still kept in 2022

After the publication of 2021 Annual Report by the Company on 28 April 2022, the management of the Company has been proactively carrying out communications with the creditors and other financial institutions.

(I) The outstanding loan facilities provided by China Huarong International Limited (中國華融國際股份有限公司) ("HuaRong International")

On 11 April 2022, a substantial shareholder ("**Shareholder**"); HuaRong International has agreed to arrange for the loan extension, provided that the Company provide additional guarantee measures. (Note: the loan extension did not proceed as the Company failed to provide collaterals to Huarong International's satisfaction.)

On 14 October 2022, the relevant officers of HuaRong International have agreed to consider the debt-equity swap proposal put forward by the company.

On 1 December 2022, the relevant officers of HuaRong International have verbally agreed not to file a lawsuit against the Company at the moment, but considered that it is impossible to implement the debt-equity swap proposal previously proposed by the Company, though deemed feasible in principle by them, in the short period of time in view of the crashes of real estate enterprises one after another at the time being.

(II) The outstanding loan facilities provided by China Huarong Asset Management Co., Ltd (Beijing Branch) (中國華融資產管理股份有限公司北京市分公司) ("China HuaRong"):*

On 7 June 2022, the relevant officers of China HuaRong indicated that China HuaRong is not able to make additional contribution injection into the Xiangtan Project due to the real estate regulation policies currently implemented by the government, but it may introduce potential investors for the Xiangtan Project which may provide funding for joint development.

On 29 June 2022, the Company intended to introduce another investment group ("**Investment Group**") as an investor for the Xiangtan Project while China HuaRong undertook to inject additional capital contribution of approximately RMB300 million to Investment Group, all of which shall be used for the development of the Xiangtan Project. (Note: the proposed cooperation fell through as the Company was not able to satisfy the condition raised by Investment Group during the cooperation negotiation which require the 100% equity interests of the Xiangtan Project to be transferred to its subsidiary.)

On 20 November 2022, China HuaRong agreed to extend the maturity of the existing loans to the end of 2023.

(III) The outstanding loan facilities provided by Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai International")

On 5 July 2022, the relevant officers of Donghai International verbally undertook not to file a lawsuit against the Company, but also indicated that it is very difficult for them to grant further extension of the existing loans.

On 12 October 2022, the relevant officers of Donghai International agreed to consider the debt-equity swap proposal put forward by the Company and do their best to facilitate the implementation of this proposal.

On 1 December 2022, the relevant officers of Donghai International indicated that its major leaders support the debt-equity swap proposal previously proposed by the Company in principle on the condition that the Company shall repay part of the loan in cash while the remaining balance shall be settled by way of debt-equity swap; in addition, the proposal is not expected to be put into implementation in the short period of time due to the changes in certain leadership positions undergoing at the headoffice level of Donghai.

(iv) The outstanding loan facilities provided by Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch) (中國工商銀行股份有限公司湘潭湘江支行) ("ICBC") to support Xiangtan Project*

The Company intends to address such debt issues through the following means:

(1) The Company intends to transfer the enbloc Xiangtan Hotel Project. The Company is currently discussing with the potential buyers regarding the enbloc transfer of the Xiangtan Hotel Project. One of the potential buyers, has completed the preliminary due diligence on the hotel project. The Company will be able to repay the loan from ICBC in full and repay part of the loan from China HuaRong upon completion of the said transfer. In addition, after repayment of part of the loan from China HuaRong, the Company will carry out negotiation with China HuaRong for further loan extension, and plans to extend the maturity of the remaining loan balance to 2025. It is expected that after the repayment of loan from ICBC and the loan from China HuaRong and the payment of the tax arising from the transfer, the remaining balance will be approximately RMB100 million, all of which shall be used to supplement the liquidity for the Xiangtan Project to support the development and construction of the residential properties of the project.

(2) The Company will continue to seek support from the local government. In accordance with the Guaranteed Building Special Loan Agreement entered into between the Company and the local government, the Company successfully granted the Guaranteed Building Special Loan in the amount of RMB120 million, and RMB105 million was utilised as at 31 December 2022. The Company will continue to seek allocation of the remaining balance of the special loan as stipulated in the agreement from the local government in 2023. In addition, based on the sales performance of the project and the construction progress of the guaranteed buildings, the Company will continue to maintain close interaction with the local government, with an aim to secure new funding support.

(v) The outstanding loan facilities provided by Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch) (浙江稠州商業銀行股份有限公司南京分行) ("ZCCB")*

The Company is currently approaching asset management companies and other financial institutions and plans to seek new financial institutions to acquire the debts held by ZCCB in full. Upon completion of the said debt acquisition, the maturity of such loans of the Chengdu Project is expected to be extended to 2026.

CURRENT STATUS TO ADDRESS DISCLAIMER OPINION

The outstanding loan facilities provided by China Huarong Asset Management Co., Ltd (Beijing Branch)* (中國華融資產管理股份有限公司北京市分公司) ("China HuaRong") & Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai International")

The management carried out preliminary discussion with Huarong International and Donghai International regarding the enbloc restructuring of the offshore loans, with an aim to conduct debt restructuring of the debts held by HuaRong International and Donghai International, including but not limited to debt-equity swap, so as to reduce the debts of the Company. The management will carry out further negotiation with these two creditors at the end of May 2023, in an effort to reach a preliminary feasible proposal.

Sales plan of the Xiangtan Project for 2023:

Since November 2022, the government optimised the pandemic prevention and control policy, and meanwhile introduced a number of economic stimulation policies and the easing policies on real estate industry including the relaxation of the home-purchase and sales restriction, cutting the mortgage loan interest rate and supporting re-financing for property developers. With the gradual recovery of the economy and the improvement of the real estate market, the Company expects the sales of the Xiangtan Project will gradually pick up in the second half of 2023.

Cost control policy for 2023

The Company will continue to strictly implement the cost control policy while maintaining stable business operation, so as to further lowering administration expenses.

Further financial strategy planning for 2023

As the leveraging on the convenience brought by the reopening of the border between Mainland China and Hong Kong, the Group enhanced communications with the financial institutions in Mainland China to address the debt issues of the Group. The management made several visits to Mainland China and engaged in face-to-face communications with a number of financial institutions in February and March 2023 to discuss solutions to address the debts issue of the Group.

MITIGATION MEASURES TO RESOLVE THE AUDIT QUALIFICATION

The management of the Company are of the view that the main issue currently affecting its going-concern operation is the relatively large amount of debts that will be due for payment in the short period of time, coupled with the impact on its short-term cash flow caused by the COVID-19 pandemic and real estate policies implemented in Mainland China, resulting in default events of delayed or overdue payment of loan principal and interest. However, in terms of assets in the long run, the Xiangtan Project, as the Company's major project, has sufficient residual value of up to RMB6.4 billion, while the debt principal and interests of the Company which have been due for payment as at 31 December 2021 were approximately HK$1.6 billion, together with outstanding interests and default penalty of approximately HK$200 million.

Once the project resumes normal sales, the Company will raise sufficient fund through destocking of the project to repay all existing debts and finance its normal operations. In addition, the Chengdu Project will generate an annual revenue of approximately HK$50 million for the Company. Given all the above, from the long term perspective, there is no doubt regarding the Company's ability to continue as a going concern.

Therefore, the Company proposes four improvement measures to address the mismatch between the short-term cash flow and short-term debts of the Company:

(i) The Group is negotiating with several financial institutions and seeking for various options for fund to finance the Group's working capital and commitments in the foreseeable future. By negotiating with existing financial institutions to reach debt restructuring or extension agreements, or seeking new long-term debts to replace existing short-term debts, the Company may match the maturity of its debts with the timing of development and destocking of the projects, so as to fundamentally solve the short-term going concern issue. From the current communication between the management and existing creditors or potential debt investors, it appears that they also concur with the judgement of the management of the Company, that is to address the short-term debt risk by extending its debts to match the Company's debt maturity with the development and sales progress of the Xiangtan Project. The management of the Company is confident that it will be able to extend the loans or complete debt restructuring to resolve the going concern issue before the end of the new financial year;

(ii) The Group will seek to accelerate the pre-sales of its properties under development (including remaining units of property projects and saleable car parks). Currently, the sale of the properties of Xiangtan Project is the Company's primary source of cash flow. By accelerating the sale of the properties, the Company may meet the cash flow requirements for project development and pay interest on debts with the cash inflows from property pre-sales, thereby improving its cash flow. Meanwhile, it will give confidence to the existing creditors and new creditors who intend to invest the project, with an aim to extend the debts, complete restructuring or raise additional facilities;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization, management remuneration adjustments and capital expenditure control. This measure may reduce cash outflow and improve the cash flow of the Company;

(iv) In light of the COVID-19 outbreak, the Group will closely monitor the latest development and continue to assess the impact of the pandemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property projects to generate sufficient cash flows from its operations. The COVID-19 Pandemic has been raging for three years, imposing serious impact on economic activities. With the adjustment and optimisation of the pandemic prevention and control policy by the government in November 2022, the economic development and daily life gradually returned to normalcy, and now the pandemic basically imposes no impacts on the economic activities and daily life. The Group seized the opportunity to actively facilitate the construction and sales of the Xiangtan Project.

Furthermore, leveraging on the convenience brought by the reopening of the border between Mainland China and Hong Kong, the Group enhanced communications with the financial institutions in Mainland China to address the debt issues of the Group. The management of the Company believes that, from the long term perspective, there is no doubt regarding the Company's ability to continue as a going concern and that the short-term going concern risks will be solved through the implementation of the above four improvement measures.

DISCLAIMER OF OPINION BY THE AUDITORS

The Audit Modification would be removed in the next year's auditor's report if the proposed measures above have been successfully implemented after taking into account the latest progress of these measures. These measures would mitigate the Group's liquidity pressure and improve its financial position. However, the outcome of these measures are subject to multiple uncertainties. In next financial year, the Auditor will exercise professional judgement and maintain professional skepticism throughout the audit in accordance with Hong Kong Standards on Auditing in order to conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The conclusions would be based on the audit evidence obtained up to the date of the auditor's report.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The Group's current liabilities exceeded its current assets by approximately HK$1,328,299,000. As at 31 December 2022, the Group was in default in respect of principal amount of borrowings totaling HK$1,638,876,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2022. This amount would be immediately repayable if requested by the lenders.

The announcement highlighted that a court order was issued ordering Chengdu Zhongfa Real Estate Development Co Ltd to repay RMB250 million to Zhejiang Chouzhou Commercial Bank Co Ltd. The latest development is that Nanjing court has ruled a forced sale of Chengdu Zhongfa's real estate situate at Jinniu District Chengdu City by way of auction through Taobao website. Another court order was issued ordering Hunan Jiuhua Dong Fang Hotel Company Limited to repay ICBC outstanding loan of RMB250 million and interests. The litigation is in progress. And there is a construction contractor filed a claim of RMB12 million being overdue construction costs. The litigation is in progress. In addition, according to the 2nd and 3rd Enforcement Notice issued by the Beijing Court, Hunan Jiuhua International New City Development Construction Co Ltd and Ms. Qian are ordered to repay China HuaRong a total sum of approximately RMB468 million.

Such financial position indicates that the Company is short of cash or any readily realizable assets which could be deployed to meet its debt obligations and there is a huge amount of overdue. As such, there should be no surprise that if there is any debtor files a bankruptcy petition against the Company or its subsidiaries the chance of forced sales of assets and bankruptcy is imminent (in fact the Chengdu property has been ordered for forced sale). Audit Committee agrees that there are material uncertainties of going concern as raised by the auditors in auditors report which led to a disclaimer opinion.

As regard management's position, basis and judgemental areas, management continue working on exploring other financing options, speed up pre-sales of properties under development, negotiations with lenders for renewal and/or extension of repayments, and costs control. Whilst management is trying all efforts to save the Company from sinking they also caution readers of the announcement that if the Company fails in delivering mitigating plans and measures it might not be able to continue to operate as a going concern.

Management of the Company has alerted shareholders, creditors and any other parties not to overlook the possibility that the Company may not be able to achieve its plans of mitigating debt overdue situations and may not be able to operate on going concern basis. Audit Committee agrees that the alert given by management is proper.

Impact of the Audit Qualification

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

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN (UNDER CODE PROVISION D.1.3 OF APPENDIX 14 OF LISTING RULES)

Notwithstanding the above, since the execution of above measures are in progress, significant uncertainties exist. Whether the Group will be able to operate as a going concern, would depend upon the Group's ability to generate adequate financing and operating cashflows and the successful agreement with the Group's creditors of settlement arrangement where required.

Auditor is in view that the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainities, including (i) successful postponement of repayment of amount due to China Huarong Asset Management Co., Ltd (Beijing Branch)* (中國華融資產管理股份有限公司北京市分公司) ("China Huarong"), (ii) successful postponement of repayment of Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch)* (中國工商銀行股份有限公司湘潭湘江支行) ("ICBC"), (iii) successful postponement of repayment of Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch)* (浙江稠州商業銀行股份有限公司南京分行) ("ZCCB") and handling the court determined by Nanjing Jianye District People's Court* (南京市建鄴區人民法院) (the"Nanjing Court") – the execution of the forced sale of Chengdu Zhongfa's real estate located at No.19 Yongling Road at Sichuan Province by way of auction through the website of Taobao.

Since the execution of above plans and measures is in progress and in view of the significance of the extent of the uncertainties relating to the ongoing availability of finance to the Group, a disclaimer of opinion was issued in respect of the year ended 31 December 2022.

COMPANY SECRETARY

Mr. Chen Kenneth is the employee of the Company and he has confirmed that he had received no less than 15 hours of relevant professional training for the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and Objectives

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Board acknowledged that the risk management and internal control 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.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities are summarised below:

Board

- evaluates and determines the nature and extent of significant risks it is willing to take in achieving in the Group's strategic objectives;
- ensures the implementation of an effective risk management and internal control systems;
- ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and
- oversees the management in the design, implementation and monitoring of the risk management and internal control systems.

Management

- assists the Board to perform its responsibilities of risk management and internal control systems and ensure such review cover all material controls, including financial, operational and compliance controls;
- develops the internal control audit plan and effective control activities to mitigate risks;
- identifies major and significant risks which threaten the achievement of the strategic objectives; and
- summarises the results of such risk assessment, evaluation and mitigation of the major subsidiaries and associates in risk register.

Process used to identify, evaluate and manage significant risks

The Board and the senior management led by the chief executive officer of the Company (the "Responsible Management"), with the assistance of the Internal Control & Compliance Department, are responsible for designing implementing and monitoring of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk identification

- identifies significant risks through interviewing with the management and directors of major subsidiaries and associates. "CG Code Compliance and CG Report Disclosure Questionnaire" and "Risk Identification and Management Questionnaire" are used to document the risk identified by the management and directors of major subsidiaries and associates.

Risk assessment

- performs risk assessment on the key audit matters identified by the external auditor;
- assesses and evaluates significant risks identified by the subsidiaries and associates; and
- considers the range of potential consequences and how likely those consequences are to occur.

Risk response

- evaluates and prioritises the risk identified by the major subsidiaries and associates from perspective of the Group level as a whole; and
- updates the risk register by the Responsible Management.

Risk monitoring and reporting

- performs ongoing communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management;
- presents the risk questionnaires completed by the management of selected subsidiaries and associates, risk register and Internal Control Audit Plan to the Board; and
- delivers the fact-findings report with recommendations on the review and testing of internal controls on certain operating cycles and areas performed by the internal control department to the Audit Committee and the Board.

INTERNAL AUDIT FUNCTION

The Group's risk management and internal control framework is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The Group's internal audit function is performed by the Responsible Management who reports to the Audit Committee and the Board on a regular basis. The Responsible Management, with the assistance of internal control department, performs risk assessment process, review the Group's internal audit function and executes the internal audit plan, including performing testing of control on selected cycles in accordance with agreed upon procedures determined by the Responsible Management, for the Year.

Based on the information submitted by the Responsible Management, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the Year. The Board concluded that the risk management and internal control systems of the Group are adequate and effective in all material respects during the Year under Review.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under the new Part XIVA of the Securities and Futures Ordinance, Chapter 571 and the Listing Rules. The Board has adopted a policy which contains the guidelines to the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations.

CONSTITUTIONAL DOCUMENTS

On 23 June 2022, the shareholders of the Company have approved at the AGM the proposed amendments (the "Amendments") to the bye-laws of the Company (the "Bye-laws") for the purposes to: (i) bring the Bye-laws in line with the relevant requirements of the Listing Rules as well as the applicable laws of Bermuda; (ii) allow general meetings of the Company to be held as a hybrid meeting or electronic meeting where Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person or by proxy; and (iii) adopt house-keeping improvements and amendments in line with the aforesaid proposed amendments. Details of the Amendments were set out in the circular of the Company dated 29 April 2022. The latest Memorandum of Association and Amended and Restated Bye-laws of the Company is available on both the websites of the Company and of the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance in engaging in regular, effective and fair communication with its shareholders and is committed to conveying important and relevant information to the shareholders on a timely basis.

General meetings are held at least annually whereby there are opportunities for the Company to have direct interactions with shareholders. Directors, in particular, the Chairman and chairmen of the Board committees, executives and external auditor will attend the annual general meetings to answer questions from shareholders.

The Company strives to ensure that information is made publicly available in a prompt and timely disseminated manner. Disclosure of information is made through announcements on the Stock Exchange, the Company's annual and interim reports, press releases, as well as the Company website (http://www.keyneltd.com).

Having considered the multiple channels of communication and engagements in place, the Board is satisfied that the Company's shareholders' communication policy has been properly in place and is effectively implemented

SHAREHOLDERS' RIGHTS

(i) Convening a special general meeting by shareholders

Pursuant to Bye-law 58, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held in the form of a physical meeting only and within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do such physical meeting in accordance with the provisions of section 74(3) of the Companies Act of Bermuda.

(ii) Putting forward proposals at general meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying his/her/its shareholding information, his/her/its contact details and the proposal he/she/it intends to put forward at the general meeting regarding any specified transaction/business with supporting documents.

(iii) Putting forward enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Room 4101, 41/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy") with effect from 1 January 2019. The Dividend Policy aims to maintain sufficient reserve for future development to create stable and sustainable returns to shareholders.

According to the Dividend Policy, the declaration of dividend and the amount of dividend are subject to, including but not limit to, the following factors: (1) financial performance of the Group; (2) retained earnings and distributable reserves of the Group; (3) expected working capital requirements, capital expenditure requirements and future development plan of the Group; (4) liquidity position of the Group; (5) any restriction under the Companies Act of Bermuda, any applicable laws, rules and regulations and the Articles of Association of the Company; and (6) any other factors the Board may consider appropriate.

The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deem fit and necessary.

Environmental, Social and Governance Report

INTRODUCTION

KEYNE LTD (the "Company" together with its subsidiaries, hereinafter referred to as the "Group" or "we" or "us") is pleased to present the Environmental, Social and Governance (the "ESG") Report for the year ended 31 December 2022 with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

As the most important leading role of the Group, the Board has taken a proactive approach to managing ESG issues and has incorporated environmental, social and governance elements into its long-term business strategic planning.

The Group has strengthened its ESG governance by setting clear sustainable development vision. Relevant emission reduction targets and corresponding strategies have been established and incorporated into the Group's operations. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans.

SCOPE AND REPORTING PERIOD

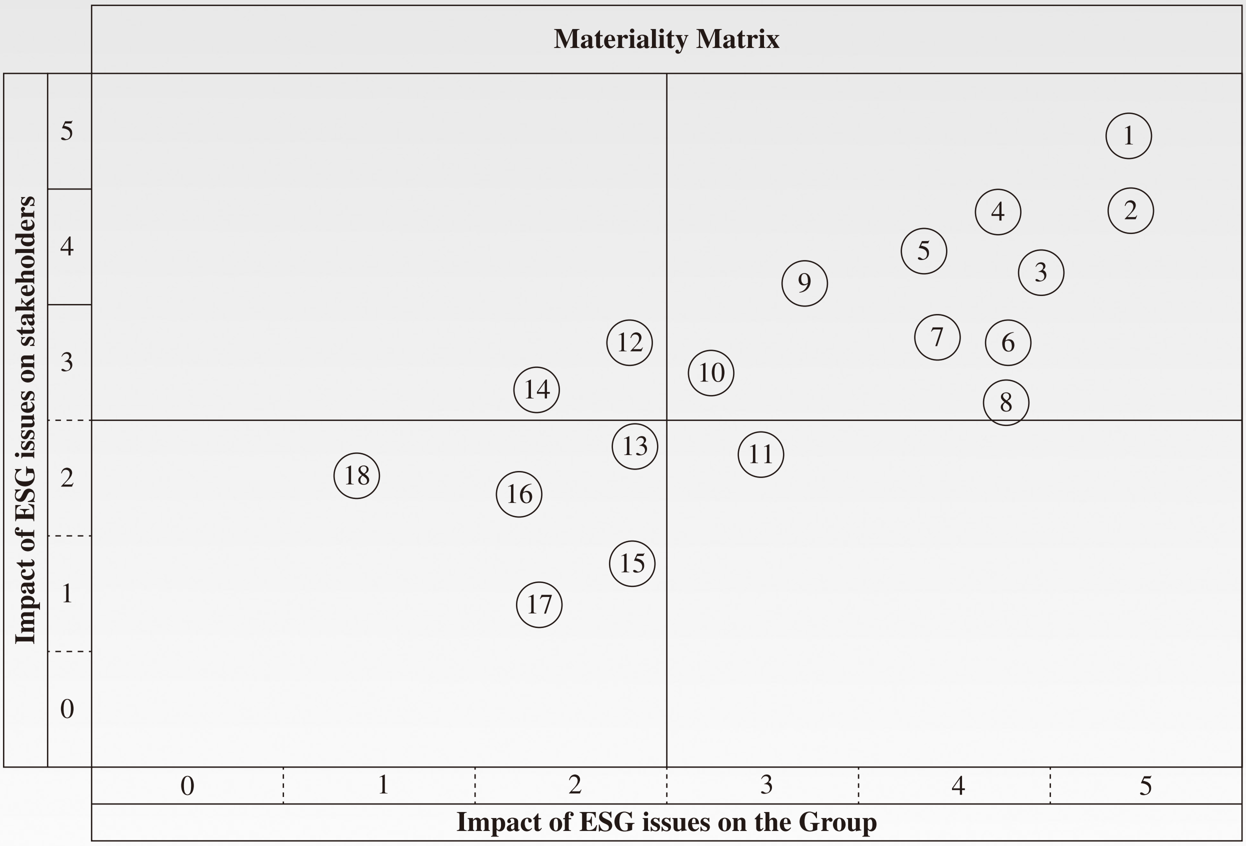
The principal activities of the Group include rental of property, property and hotel development, and investment in centralised heat supply. This ESG report covers the Group's overall performance in two subject areas, namely, environmental and social aspects of the business operations in the headquarters office in Causeway Bay, Hong Kong; property development in Hunan, Mainland China; property rentals in Chengdu, Mainland China; and the centralised heat supply and distribution project in Dongguan, Mainland China from 1 January 2022 to 31 December 2022, unless otherwise stated. In this ESG report, the total floor area coverage for the Group was 3,893 m^2.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions as shown in the table below to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

Stakeholders	**Engagement Channels**
Government and regulatory agencies	• Publication of notices, circulars, interim and annual reports • Policy consultation
Shareholders	• Annual General Meeting • Special General Meeting • Email, telephone communication and corporate website • Publication of notices, circulars, interim and annual reports
Potential Investors	• Meetings • Conferences • Email, telephone communication and corporate website
Employees	• Meetings • Employee survey • Staff activities
Suppliers	• Meetings • On-site visits

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. The Group collects feedback from the stakeholders through their respective communication channels regarding their major concerns on ESG issues. The Board further considers the impact of each identified ESG issue to the Group's operations, as well as the availability of the Group's resources, to determine the importance of each ESG issue, the result of which is displayed in the following materiality matrix.



1. Air emissions
2. Greenhouse gas emissions
3. Effluents management
4. Waste management
5. Energy efficiency
6. Water efficiency
7. Use of raw materials and packaging materials
8. Environmental compliance
9. Land use, pollution and restoration
10. Climate change
11. Employment practices
12. Diversity and equal opportunities
13. Anti-discrimination
14. Staff occupational health and safety
15. Staff development and training
16. Child labour and forced labour
17. Responsible supply chain management
18. Environmental friendliness on products or service purchased
19. Compliance with regulation on marketing, product and service labelling
20. Customers' privacy and confidentiality
21. Customer satisfaction
22. Intellectual property
23. Safety and quality of projects/services/products
24. Business ethics
25. Anti-corruption training for management and employees
26. Contributions to the society
27. Communication and connection with local community

We determine the extent of disclosure in this Report according to the importance of the issues to the business and the stakeholders.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ir@keyneltd.com.

ENVIRONMENTAL ASPECTS

The Group is committed to sustainable development and delivery of high quality services in a manner that minimizes the impact of our business activities to the environment. The Group pursues to utilise energy efficiently and as the major means to monitor our greenhouse gas ("GHG") emission. In order to continuously improve our energy performance and lower our carbon footprint, we are committed to:

- Prioritise procuring environmental-friendly construction materials and engaging business partners that are committed to reduce their carbon footprint;
- Promoting the use of office equipment with higher energy efficiency;
- Providing continuous education and training on environmental protection to employees; and
- Paying great attention to the latest developments in environmental protection and occupational hygiene and safety issues.

A1. Emissions

Types of emission produced by the Group in the reporting period were mainly attributed to the usage of petrol, electricity, water, paper and business air travel. Our business does not involve the consumption of packaging materials, and does not contribute to the production of air, water, and land pollutants that are subject to the regulation of national laws and regulations.

A1.1 Air emissions

The air emissions produced by the Group are mainly attributed to the usage of vehicles owned by the Group for business purpose.

The types of air emissions generated from our Group are shown in the table below:

Air Emissions*	**Units**	**2022**	**2021**
Nitrogen oxide (NOx)	kilogram	14.85	14.85
Sulphur oxide (SOx)	kilogram	0.28	0.38
Particle matter (PM)	kilogram	1.09	1.09

* The calculation method of the corresponding air emissions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

A1.2 Greenhouse gas emissions

Due to the business nature of the Group, the greenhouse gas emissions were mainly from indirect greenhouse gas emissions (Scope 2), which were mainly resulted from the use of electricity for operations of the Group. To a limited extent, the Group also produced direct greenhouse gas emissions (Scope 1) from the consumption of unleaded petrol by vehicles owned by the Group.

The Group's total greenhouse gas emissions and intensity are shown in the table below:

Greenhouse gas emissions	Emission sources	Units	2022	2021
Scope 1				
Direct Emissions	Fuels consumed by Company Owned Fleet	tCO_2e	50.79	68.89
Scope 2				
Indirect Emissions	Purchased electricity and gas**	tCO_2e	180.79	198.61
Scope 3				
Other Indirect Emissions	Paper consumption	tCO_2e	2.06	5.42
	Freshwater consumption	tCO_2e	6.24	2.69
	Business air travel	tCO_2e	4.44	6.90
Total GHG emissions		tCO_2e	244.33	282.51
Total GHG emissions per floor area		tCO_2e/m^2	0.06	0.11

* The calculation method of the corresponding GHG emissions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

There were 244.33 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period (2021: 282.51 tonnes). The annual emission intensity was 0.06 tonnes of CO2-e/m^2 (2021:0.07 tonnes of CO2-e/m^2).

A total of 19,096.14 litres of fuels (2021: 25,905 litres) was used for Group-owned vehicles in the reporting period, contributing to 50.79 tonnes (2021: 68.89 tonnes) of carbon dioxide equivalent greenhouse gases.

The electricity consumption by the Group was 293,489.86 kWh (2021: 322,703.8 kWh), with an energy intensity of 63.03 kWh/m2 (202:82.89 kWh/m2). It contributes to a total of 180.79 tonnes (2021: 198.61 tonnes) of carbon dioxide equivalent emission. The Group saves energy by:

- installing thermostat in air conditioners to allow flexible adjustment to temperature according to needs;
- keeping room temperature at 24-26 °C;
- turning off lightings when leaving office;
- switching off computers and other electronic devices when leaving office; and
- setting printers into energy-saving mode.

The Group recognises its operation contributes to considerable amount of greenhouse gases emission and strives to realize its corporate vision of sustainable development. The Group follows the low-carbon development goals of China's 14th Five-Year Plan, and targets to reduce the Group's greenhouse gas emissions by 5% by 2026 through the use of energy efficient fuels and fuel-saving vehicles whenever possible.

A1.3 Waste Management

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation are mainly office paper and other general office waste that is not subject to any particular waste management approach and disposed of via municipal services. A total of 0.43 tonnes (2021:1.13 tonnes) of paper has been used for daily office operations such as documents printing and deliverables packaging.

The Group practices paper saving initiatives, such as promoting e-filing, pre-setting printer to double-sided printing, posting reminders on printers to encourage double-sided printing, and allocating collection area for used paper and envelopes so that they can be reused whenever possible. Recycling bins for wastepaper are also provided to facilitate paper recycling.

The Group continues to record and assess its paper usage for setting a paper use efficiency target in the future.

Apart from the above initiatives to reduce paper waste, the Group also look for opportunities to utilise resources and reduce waste. For example, the Group centralises stationary supply in an allocated area so that resources can be utilised effectively and reused when possible. Moreover, office pantries are provided with durable and reusable dishes and tableware. Employees are encouraged to use reusable tableware and avoid disposable tableware when having meals.

A2. Use of Resources

A2.1 Energy Consumption

The amount of energy consumption of the Group is shown in the table below:

Energy consumption	Units	2022	2021
Non-renewable fuel consumed	kWh	185,067.68	252,051.5
Electricity consumed	kWh	293,489.86	352,274.0
Total energy consumption	kWh	478,557.54	645,205.2
Total energy consumption per floor area	kWh/m^2	122.93	165.73

* The calculation method of the corresponding energy consumptions and the emission factors used in the calculation are based on Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

The Group purchased electricity to support all of our business operations. Consumption of non-renewable fuel is attributable to the Group's usage of its vehicle fleet.

The Group's business operation strictly abide by the laws and regulations of the PRC, including but not limited to 《中華人民共和國節約能源法》and other applicable laws and regulations. We are committed to improving the efficiency of energy use, advocating conservation of resources, and improving the efficiency of energy and resource consumption. The Group targets to reduce its electricity consumption by 5% by 2026 through the use of energy efficient equipment and educating employees to adopt energy saving measures, such as switching off all non-essential items during non-office hours, whenever possible.

A2.2 Water Consumption

The offices for Hunan and the centralised heat supply project consumed 15,342 m^3 (2021: 17,385.88 m^3) of freshwater in the reporting period with a water intensity of 3.94 m^3/m^2 (2021: 4.47 m^3/m^2). The consumption of its headquarters office is managed by the office building's Management Office, respective data is not available for calculation. However, it is noteworthy that freshwater consumption of the headquarters office is insignificant.

The Group has not encountered any issue in sourcing sufficient quantity and quality of water for business operations. The Group is generally satisfied with the water efficiency of its business operation, and will strive to further increase its water efficiency by targeting to reduce its water consumption by 5% by 2026 through educating employees about various water conservation practices.

A3. The Environment and Natural Resources

As the Group engaged in the property and hotel development business, our operation potentially generates a significant amount of noise and dust during the construction period due to the use of machineries and heavy vehicles that can cause pollution and other damage to the environment.

The Group believes that corporate development should not come at the expense of the environment and natural resources, therefore the Group recognises the responsibility in minimising the negative environmental impacts of our business operations as an ongoing commitment to good corporate citizenship. The Group and has implemented different measures to reduce noise levels, including the installation of acoustic barriers, inspect and maintain all equipment before use to ensure compliance of permitted noise level, and only undertake construction works during permitted hours and days, to ensure that workers and the surrounding neighbourhood will not be disturbed.

To minimise the adverse impact to the environment, the Group has adopted the energy and resources saving measures as mentioned in "A1. Emissions" and "A2. Use of resources" in response to the potential impacts on the environment and natural resources. The Group remains conscious of the potential impact its operations on the environment, and adopts preventive measures to reduce the relevant environmental damage while ensuring compliance with relevant laws and regulations.

A4. Climate Change

Climate change is one of the most crucial issues of the past decade. The Group has been closely monitoring the risk and capturing the opportunities from climate change. Investments will be allocated and prioritised to address the main climate related risk, which will enable our Group to smoothly transition and thrive in a low-carbon economy. The Group identified that the following climate risks might have a potential impacts on the Group's business:

Physical risk

Acute physical risk may arise from climate change, which are event-driven and includes, but not limited to, storms, floods, and fire. These events may cause delay in, or even the suspension of the construction of properties and the operation of the centralized heat supply business.

To mitigate the relevant risks, the Group has established contingency measures that encompasses a variety of weather-related events to minimise the impact to its business operation brought on by climate-related risk. Moreover, we maintain comprehensive insurance coverage for assets that are prone to damage by extreme weather conditions to reduce the financial loss suffered by the Group.

Transition risk

At the United Nations General Assembly in 2020, President Xi Jinping announced that the PRC will strive to achieve carbon neutrality by 2060. Attributed to such commitment, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet the net-zero carbon emission ambition, thus higher operating costs may be incurred by the Group to replace tools and equipment with models of higher efficiency to ensure future compliance with the regulations.

In addition to closely monitoring the carbon footprints of the Group's business operations and exploring alternative ways to reduce our impact on the environment, the Group continues to stay abreast of the latest policies and regulations relevant to climate change and environmental protection, and ensure its compliance with them to avoid non-compliance fines in order to safeguard the Group's operational and financial stability, as well as reputation.

SOCIAL ASPECTS

B1. Employment

The Group complies with all applicable employment and labour laws of the People's Republic of China (the "PRC") and Hong Kong. Employees are entitled to double pay, bonus, mandatory provident fund, pension, medical insurance, life insurance, dental insurance, unemployment insurance, work-related injury insurance and maternity insurance. Various types of paid leave are also offered including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave. The employment contract also set up mediation and arbitration procedures to settle any disputes.

The Group possesses a Remuneration Committee, which is responsible for Director's remuneration review. For general staff and the management, salary is reviewed on a yearly basis taking reference to the market trend, employee's qualification, experience and performance.

As at 31 December 2022, the Group had a total number of 81 (2021: 76) employees from Hong Kong and different provinces in Mainland China. The total workforce categorised by (i) gender, (ii) age group, (iii) geographical region and (iv) employment type are shown below.

Employee's Age Distribution	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2022	12%	51%	19%	10%	9%
2021	13%	53%	13%	13%	8%

Employee's Gender Distribution	**Male**	**Female**
2022	57%	43%
2021	58%	42%

Employee's Geographical Distribution	**Mainland China**	**Hong Kong**
2022	79%	21%
2021	78%	22%

Employement Type Distribution	**Full-time**	**Part-time**
2022	96%	4%
2021	97%	3%

For the year ended 31 December 2022, the Group's overall employee turnover rate was approximately 10% (2021: 20%). The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are shown below.

Annual Turnover Rate (By Age Group)	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2022	0%	2%	7%	38%	43%
2021	50%	13%	30%	20%	0%

Annual Turnover Rate (By Gender)	Male	Female
2022	11%	9%
2021	20%	19%

Annual Turnover Rate (By Geographical Region)	Mainland China	Hong Kong
2022	3%	50%
2021	17%	29%

B2. Health and Safety

The Group commits to ensuring a safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnic backgrounds.

The Group abides by all national regulations on labor protection, including provisions on the prevention and control of occupational diseases and the special provisions on female labor protection. Occupational health and safety guidelines established by the Group highlighted potential hazards in office and provided precautionary measures to avoid them. Regular briefing, reminders, inspection and maintenance refresh employees of the safety measures and avoid injury caused by equipment. Employees regularly participate in fire safety seminars and fire evacuation drills organised by the management office.

Employees who handle special equipment in the centralised heat supply project, are required to obtain safety management certificates issued by the Bureau of Quality and Technology Supervision of Dongguan City through examinations.

In response to the ongoing outbreak of the Covid-19 pandemic, the Group has continued to implement, health and safety precautionary measures in all business premises to ensure the health of our employees and workers. The Group operated strictly in accordance with the crowd control and social distancing rules issued by respective local governments, and proactively implement additional disinfection steps to maintain a safe and hygienic environment.

In each of the past three years, including the current reporting year, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of Hong Kong and PRC health and safety laws and regulations.

B3. Development and Training

The Group strives to raise the awareness of occupational safety and health at work and protect employees from occupational hazards. The centralised heat supply operation and property development operation launched health and safety training courses focusing on prevention of accidents in the workplace, prevention and control of epidemic infectious diseases, first aid for accidents and natural disasters, and improvement in mental health and wellbeing.

Moreover, the Group provides a wide variety of training for its employees to equip themselves with work-related skills. Induction programs are provided for newly recruited employees while on-the-job training is provided to all employees in the Group. All directors of the Group had participated in continuous professional development related training programmes and seminars, to ensure that they understand business operations of the Group, directors' responsibilities and obligations under the Listing Rules and other regulatory requirements.

For the year ended 31 December 2022, approximately 60.1% (2021:59.2%) of the employees of the Group participated in training of different types. The percentage of employees trained and the average training hours completed per employee are shown below:

Percentage of Employees trained (By Gender)	Male	Female
2022	59%	41%
2021	60%	40%

Percentage of Employees trained (By Employment Category)	Senior Management	Middle Management	Supervisor	General Staff
2022	6%	25%	0%	69%
2021	6%	25%	0%	69%

For the year ended 31 December 2022, the average training hours per employee are approximately 20.25 hours (2021:26.23 hours). The breakdown of the average training hours completed per employee by gender and employee category are as follows:

Average Training Hours (By Gender)	Male	Female
2022	20.13	20.37
2021	26.18	26.30

Average Training Hours (By Employment Category)	Senior Management	Middle Management	Supervisor	General Staff
2022	12%	41.67%	0%	16.3%
2021	12%	41.67%	0%	18.4%

B4. Labour standards

In line with the local employment laws including the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), as well as other applicable labour laws and regulations, the Group prohibits the employment of child labour or any other form of forced and illegal labour. For the year ended 31 December 2021, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

The Group strictly abides by the relevant labour regulations in PRC and Hong Kong regarding working hours and holidays to ensure the physical and mental health of all employees.

To avoid illegal employment of child and forced labour, all resumes, original identification cards and original certificates are checked by the Human Resources Department during interview. If any employee suspect a colleague might be child or forced labour, the employee should report to the Head of Human Resources, who will investigate the case in accordance to the Group's policies and procedures. Once the Group discovers any case which fails to conform to the relevant labour laws and regulations, the relevant employment contract will be immediately terminated and handled in accordance to the relevant national laws and regulations.

Equal opportunity

The Group puts effort in ensuring equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits.

The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws in the PRC and Hong Kong. To eliminate workspace discrimination, if employees are treated unfairly or feel discriminated against by action or speech, employees can report directly to the management. The management will investigate the reported case and take corresponding stringent disciplinary actions after verification. Employees can also report directly to the Equal Opportunities Commission.

B5. Supply chain management

The Group possesses a just and structured procurement procedure. Suppliers are screened by email, telephone communication and meetings. Management meeting is conducted to review and select qualified suppliers based on the product price, quality and supplier's reliability.

Supplier performance is regularly evaluated to ensure supply chain quality. In addition to reviewing factors such as brand and product quality, suppliers' environmental and social responsibility performance is also one of our considerations when evaluating suppliers. In an effort to become a more environmentally responsible corporation, we practice green procurement through the adoption of sustainable and responsible selection criteria whenever applicable

Whistleblowing policy and system established by the Audit Committee, allowing employees, customers or suppliers to raise concerns on any improprieties related to the Group.

For the year ended 31 December 2022, the Group has a total of 20 and 1 supplier(s) located in the Mainland China and Hong Kong, respectively.

B6. Product responsibility

Product and service complaints

The Group strives to provide high quality product and service to the public, it received no complaints in the reporting period.

Intellectual property rights and confidentiality

Employees are responsible to protect the Group's intellectual property including trademarks, patents, copyrights, industrial designs and inventions, and trade secrets, as agreed in their employment contract with the Group. All intellectual property belong to the Group, and no one is allowed to copy, imitate, transfer, extract, or distribute without written authorization. The Group monitors to ensure that intellectual property rights are not being infringed upon.

Confidentiality and Privacy Protection

Confidential information all knowledge of the Group affairs, secrets or information of the Group. This includes but not limited to affairs, secrets and information relating to the scope of business, personnel, operation, policies, strategies, clientele, contracts and financial position. All employees acknowledge and warrant not to disclose the above information, within and after the period of employment, by signing the employee's contract. Employees violating the confidentiality-related regulations can be dismissed. Guidelines for safety use of information and confidentiality are also included in the staff handbook.

B7. Anti-corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All Directors and employees are required to strictly follow all applicable laws on prohibiting corruption and bribery of the PRC and Hong Kong and the Group's policy to prevent potential bribery, extortion, fraud and money laundering. Gifts or entertainment from persons dealing with the Group are not allowed unless it is in the normal course of company business or approved by the Board. All conflict of interest shall be avoided and declared to the management or Directors when it exists.

To strengthen understanding of relevant applicable laws and regulations, the Board received trainings on material topics, such as anti-corruption and bribery, corporate governance, and connected and notifiable transactions. 6 directors of the Group have completed the relevant trainings, with an average training time of approximately 1 hours.

The Group has a whistleblowing policy concerning faults in financial reporting, misconduct and corruption. The audit committee has the overall responsibility for the policy and has delegated day-today responsibility of overseeing and implementing such policy to the Internal Control Director. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report the concerns by email to the Internal Control Director. When confident suspicious case is received, the Internal Control Director performs a preliminary review before discussing the case with the audit committee, who decides whether a formal investigation should be launched. All reports are treated confidentially and the Group makes every effort to keep the employee's identity confidential.

The Group was not involved in any cases of violations related to corruption during the year ended 31 December 2022, nor was involved in any corruption litigation cases related to the Group and the employees.

B8. Community investment

The Group focuses on contributing in environmental protection, and encourages staff to participate in voluntary and community services. The Group implemented the Red Packets Recycling Programme 2022 where staff were encouraged to recycle used or unused red packets for recycling in an effort to promote environmental awareness in the workspace.

Report of the Directors

The Directors have pleasure in presenting to the shareholders the Company's annual report together with the audited consolidated financial statements for the year ended 31 December 2022 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in property rental and property and hotel development in the PRC as well as centralised heat supply.

Segment analysis of the Group for the Year is set out in note 5 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, form of legal entity, principal activities and particulars of their issued shares/registered share capital, are set out in note 16 to the consolidated financial statements.

A review of business of the Group during the Year and its future development, and an analysis of the Group's performance during the Year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance are set out in the "Chairman's Statement" on page 3 to 4 and the "Management Discussion and Analysis" on pages 5 to 19 of this annual report and the analysis of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" on pages 41 to 55 of this annual report. The above discussions constitute part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the PRC and Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong and Bermuda. During the Year and up to the date of this report, we have complied, in all material respects, with all the relevant laws and regulations in the PRC, Hong Kong and Bermuda.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of Environmental Policies and performance are set out in the "Environmental, Social and Governance Report" on pages 41 to 55 in this annual report.

KEY RISK FACTORS

There are strategic risks, operation risks, financial risks, legal risks, compliance risks and market risks in the development process of the Company identified and assessed on an on-going basis, of which:

1. Strategic risks are mainly attributable to the domestic and overseas macro-economies, overall trend of industrial structures and the scientific and sustainable standards of comparable strategies of the Company;

2. Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in the daily operation and management process of the Company;

3. Financial risks are mainly attributable to the supervision and control procedures of financial system including overall fund raising activities of the Company, investment management and revenue audit;

4. Legal risks are mainly attributable to the domestic and overseas policies and the changing regulations and the internal contract management capability of the Company and related legal litigations;

5. Compliance risks are mainly attributable to failure of the Company to act in accordance with the applicable laws and regulations, which causes legal and financial impact on the Company; and

6. Market risks are mainly attributable to the business workflow including marketing management of the Company, market demand and supply and business partnership.

FINANCIAL RESULTS

The financial results of the Group for the Year are set out in the consolidated statement of profit or loss on page 78 of the consolidated financial statements.

The Directors do not recommend the payment of a dividend for the Year.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Details of the movements in the property, plant and equipment, and investment properties of the Group during the Year are set out in notes 13 and 15 to the consolidated financial statements, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 196 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 32 to the consolidated financial statements, and in the consolidated statement of changes in equity on page 82, respectively.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2022 are set out in note 28 to the consolidated financial statements.

CAPITALISED BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to approximately HK$11,345,000 (2021: HK$11,301,000).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2022 are set out on page 195 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the reserve of the Company available for distribution to the shareholders amounted to Nil. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTOR AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Neil Kai Gu *(appointed on 1 July 2022)*
Mr. Chiu Sin Nang, Kenny *(resigned on 1 July 2022)*

In accordance with Bye-laws 84(1) and 84(2), Mr. Zhang Li and Mr. Tang Ping Sum shall retire from office by rotation at the forthcoming annual general meeting of the Company ("AGM"), and being eligible, offer themselves for re-election as executive/independent non-executive Director (as the case may be).

In accordance with Bye-laws 83(2), Mr. Neil Kai Gu shall retire from office by rotation at the AGM, and being eligible, offer himself for re-election as independent non-executive Director.

The term of office of each of the independent non-executive Directors is for an initial term of one year and renewable automatically for successive terms of one year. Either the independent non-executive Director or the Company may terminate the appointment by giving to the other party at least one month's prior notice in writing. All of the independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year and all of which shall continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 73 to 74.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of ordinary share held	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Zhang Li	Beneficial owner	14,655,625(L)	0.41%(L)

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 2 September 2013. The major terms of the Scheme are as follows:

1. The purpose of the Scheme is to attract and retain talented personnel for future development of the Group; to provide incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

2. The eligible grantees of the Scheme are (i) any employee or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.

3. The subscription price determined by the Board will be at least the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

4. The maximum number of shares which may be granted under the Scheme must not exceed 10% of the total number of Company's shares in issue as at the date of approval of the Scheme unless approved from its shareholders and which must not in aggregate exceed 30% of the total number of the share issued from time to time.

5. The total number of shares issued and to be issued upon exercise of the share options (the "Options") granted (including exercised, cancelled and outstanding Options) to each Participant, within the 12-month period immediately preceding the proposed date of grant, shall not exceed 1% of the total number of Company's share in issue. Any further grant shall be subject to the shareholders' approval of the Company with such Participant and his/her associates abstaining from voting.

6. The offer of a grant of the Options may be accepted within 28 days from the date of offer, HK$1 is payable by each of the Participants to the Company on acceptance of the Options as consideration for the grant.

7. There is no minimum period for which the Options must be held before the Options can be exercised unless otherwise determined by the Board.

8. The exercise period of the Options must be less than ten years from the date of grant.

9. The Scheme shall be valid and effective until 2 September 2023.

Details of the share options granted under the Scheme to certain Eligible Participants of the Company to subscribe for the shares in the Company are as follows:

				Number of share options					
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1.1.2022	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Outstanding as at 31.12.2021	Approximate percentage of the issued share capital of the Company %[3]
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625 [1]	–	–	–	24,711,625	0.69
				24,711,625	–	–	–	24,711,625	0.69

Notes:

1. The closing price of the Company's shares immediately before the date on which the share options were granted was HK$0.355.

2. The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this report.

3. As at 31 December 2022, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.

Details of movements in the Company's share options during the Year are set out in note 33 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2022.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, the register of substantial shareholders and other person's maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed in "Directors'and chief executive interests and short positions in shares, underlying shares and debentures of the Company", the following persons notified the Company of their relevant interests in the ordinary shares and underlying shares of the Company:

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary held/ Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company *(Note 8)*
Zhu Boheng *(Note 1)*	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
KEYNE HOLDINGS LTD *(Note 1)*	Beneficial owner	2,073,549,197(L)	58.10%(L)
Cheng Ngok Fai *(Note 2)*	Interest of controlled corporation	205,175,000(L)	5.75%(L)
Connected-World Group Limited *(Note 2)*	Beneficial owner	205,175,000(L)	5.75%(L)
Jovial Paradise Limited ("JP") *(Note 3, 4, 5 & 6)*	Person having a security interest in shares	173,121,000(L)	4.85%(L)
	Beneficial owner	70,796,663(L)	1.98%(L)
	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
Unicorn Star Properties Limited ("USP") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Soaring Sky Worldwide Limited ("SSW") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Real Estate Fund III L.P. ("INFCREF") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Investors III Limited ("INFCI") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Holdings Limited ("INFCH") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed Partners LLP ("IP") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Charles II Realisation LLP ("CIIR") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Consolidated Investments Limited ("VCI") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain China Development Holdings Limited ("VCDH") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)

Name of shareholder	Capacity	Number of ordinary held/ Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company *(Note 8)*
Vervain Enterprises Limited ("VE") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crosby Investment Holdings Inc. ("CIH") *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Chen Wai Wai Vivien *(Note 4)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Firewave Management Limited ("FM") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crown Investments Limited ("CI") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro China Holdings Pte Ltd ("MCH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro Holdings Limited ("MH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Jenn (Wang Zhen) *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Sek Hian (Wang Shixian) *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
China Huarong International Holdings Limited ("CHIH") *(Note 6)*	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
Huarong Real Estate Co., Ltd ("HREC") *(Note 6)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)
中國華融資產管理股份有限公司 *(Note 6)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)

Notes:

1. Mr. Zhu Boheng, being the sole shareholder of KEYNE HOLDINGS LTD ("KEYNE HOLDINGS"), is deemed to be interested in the shares in which KEYNE HOLDINGS is interested.

2. Mr. Cheng Ngok Fai, being the sole shareholder of Connected-World Group Limited ("Connected-World"), is deemed to be interested in the shares in which Connected-World is interested.

3. Based on the forms of disclosure in interest filed by JP dated 4 January 2021, JP beneficially owns 70,796,663 shares and is interested in 173,121,000 shares in the capacity of being a person having a security interest in these shares and is deemed to be interested in 2,073,549,197 shares in which KEYNE HOLDINGS is interested.

4. Based on the form of disclosure of interest filed by (a) Chen Wai Wai Vivien dated 4 January 2021 and (b) IP dated 4 January 2021, (i) JP is owned as to 56.23% by USP, which, in turn, is owned as to 78.26% by SSW; (ii) SSW is wholly-owned by INFCREF, which is managed by INFCI as its general partner; (iii) INFCI is wholly-owned by INFCH, which, in turn, is owned as to 50% by IP and 50% by VCI; (iv) the substantial shareholder or directors of IP are accustomed to act in accordance with the directors of CIIR; (v) VCI is wholly-owned by VCDH, which, in turn, is wholly-owned by VE; and (vi) VE is wholly-owned by CIH, which, in turn, is wholly-owned by Chen Wai Wai Vivien. Therefore, each of USP, SSW, INFCREF, INFCI, INFCH, IP, CIIR, VCI, VCDH, VE, CIH and Chen Wai Wai Vivien is interested in the shares in which JP is interested under the SFO.

5. Based on the forms of disclosure of interest filed by (a) Ong Jenn (Wang Zhen) dated 4 January 2021 and (b) Ong Sek Hian (Wang Shixian) dated 4 January 2021, (i) JP is owned as to 43.77% by FM, which, in turn, is wholly-owned by CI; (ii) CI is wholly-owned by MCH, which, in turn, is wholly-owned by MH; and (iii) MH is owned as to 35.4% by Ong Jen (Wang Zhen) and 35.4% by Ong Sek Hian (Wang Shixian). Therefore, each of FM, CI, MCH, MH, Ong Jenn (Wang Zhen) and Ong Sek Hian (Wang Shixian) is interested in the shares in which JP is interested under the SFO.

6. Based on the form of disclosure of interest filed by 中國華融資產管理股份有限公司 (transliterated in English as China Huarong Asset Management Company Limited, "CHAMC") dated 6 December 2018, CHIH is owned as to approximately 88.10% by HREC, which, in turn, is wholly-owned by CHAMC. Each of CHAMC and HREC is therefore deemed to be interested in the shares in which CHIH is interested under the SFO.

7. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 31 December 2022.

8. The letter "L" denotes the person's long position in such shares and the underlying shares.

Save as disclosed above, as at 31 December 2022, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS, OR CONTRACTS

On 30 June 2021 (after trading hours), Hunan Jinhua Oriental Hotel Company Limited* (湖南九華東方酒店有限公司) ("Hunan Project Company A") and Hunan Jiuhua International New City Development Construction Company Limited*(湖南九華國際新城開發建設有限公司) ("Hunan Project Company B"), indirect wholly-owned subsidiaries of the Company (collectively, the "Hunan Project Companies"), executed the corporate guarantee agreements (collectively, the "Corporate Guarantee Agreements") to provide the corporate guarantees (collectively, the "Corporate Guarantees") and the property mortgage (the "Property Mortgage"), in favour of China Huarong International Holdings Limited (中國華融國際控股有限公司) (the "Lender") to secure or guarantee all the repayment obligations of Ever Harmony Enterprises Limited (永鴻企業有限公司) ("Yonghong") under the revised loan facility entered into among Yonghong and the Lender (the "Amended YH Facility Agreements").

Pursuant to the Corporate Guarantee Agreements, Hunan Project Companies conditionally agreed to guarantee the repayment obligations of Yonghong under the Amended YH Facility Agreements for the revised loan facility in the principal amount of up to US$34,900,000, for up to three years after the end of the term (i.e. 24 months from 29 December 2020) or the extended term (i.e. 36 months from 29 December 2020) thereof, including the principal, all interest, penalty interest, compound interest, liquidated damages, damages, handling fees and any costs and expenses arising from realizing the debt and all economic losses.

Pursuant to the Property Mortgage, Hunan Project Company B conditionally agreed to provide the several pieces and parcels of land owned by Hunan Project Company B in Xiangtan, Hunan Province, the PRC, and the properties thereon (the "Mortgaged Properties") were pledged as security to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements.

The provision of Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the respective Corporate Guarantee Agreements and the Property Mortgage (collectively, the "Security Documents") constituted financial assistance provided by the Group to Yonghong. As one of the applicable percentage ratios in respect of the Security Documents is more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the Security Documents exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

* *For identification purpose only*

As at the date of the Security Documents, Yonghong is a company owned as to 30% by Ms. Qian Ling Ling ("Ms. Qian"), and as to 70% by Mr. Zhu. Being an associate of Ms. Qian and Mr. Zhu, Yonghong is a connected person of the Company. As such, Yonghong is a connected person of the Company and the provision of financial assistance to Yonghong pursuant to the Security Documents constituted a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Security Documents are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As additional time was required for the Company to prepare and finalise the information to be included in the circular containing, among other matters, further details of the Security Documents, the recommendation of the independent board committee to the independent shareholders, the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders, the financial information of the Group and a notice to convene a special general meeting (the "Circular"), the Company published announcements on 24 August 2021, 30 September 2021 and 30 November 2021 regarding the delay of despatch of the Circular.

On 28 January 2022, the Company announced that, as agreed and confirmed by the Lender, the Group was no longer required to provide the Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements. Other alternative credit enhancement would be further negotiated among the parties. As a result, this transaction has been terminated.

For details, please refer to the announcements of the Company dated 30 June 2021, 24 August 2021, 30 September 2021, 30 November 2021 and 28 January 2022.

Save as disclosed above and in note 38 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the agreements disclosed in the section headed "Director's Interest in Transactions, Arrangements, or Contracts", no contract of significance has been entered into between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and subsidised training programme. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

The Company has adopted a share option scheme as an incentive to Directors, employees and other eligible participants, details of the scheme is set out in note 33 to the consolidated financial statements.

RETIREMENT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund Scheme for employees in Hong Kong. The Group's employees in the PRC, participate in a defined contribution central pension scheme operated by the local municipal government. As at 31 December 2022, there was no forfeited contribution receivable for reduction of future contribution (2021: Nil). Particulars of these schemes are set out in note 9 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in any business constituting a competing business to the Group during the Year and up to the date of this report.

PERMITTED INDEMITY PROVISION

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 66.9% and 99.9%, respectively, of the Group's total revenue for the Year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 0.7% and 2.0%, respectively, of the Group's total purchases for the Year.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Board, the Company has maintained a sufficient public float throughout the Year under Review.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

1. As disclosed in the announcement made by the Company on 18 December 2017 (the "2017 Announcement"), the Company as borrower entered into the facility agreement (the "Facility Agreement") with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender (the "Lender"), pursuant to which the Lender agreed to make available a loan facility of up to US$42,000,000 (the "Commitment") to the Company. Pursuant to the Facility Agreement, if KEYNE HOLDINGS, being the substantial shareholder of the Company and the guarantor to the Facility Agreement, ceases to be the single largest shareholder of the Company or Ms. Qian, being the executive Director and Chairman of the Company and one of the guarantors to the Facility Agreement, ceases to be a Director: 1. the Company shall promptly notify the Lender upon becoming aware of the event; 2. the Lender shall not be obliged to fund a utilisation; and 3. if the Lender so requires, the Lender shall, by notice to the Company, cancel the Commitment and declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the 2017 Announcement) immediately due and payable, whereupon the Commitment shall be cancelled and all such outstanding loans and amounts shall become immediately due and payable. On 30 June 2021, the parties to the facility agreement entered into the Listco Restructing and Amendment Deed to restructure and amend the terms of Listco Facility Agreement.

As at 31 December 2022, the aggregate outstanding loan owned to the Lender amounted to approximately US$36,510,000 and now being negotiation for extension. The Lender remains confident in our capability for repayment of indebtedness after recovery of sales performance, and has agreed to allow us more time to properly deal with our debt issue. The Lender indicated their intention to assign a team to conduct due diligence work on the Company's project. However, due to the lockdown measures implemented in Shanghai, the onsite due diligence work was temporarily suspended at May 2022, and will proceed after the lifting of lockdown measures in Shanghai.

According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, KEYNE HOLDINGS, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which KEYNE HOLDINGS has agreed to charge to the Lender by way of first fixed charge as beneficial owner of 2,010,501,197 ordinary shares of the Company owned by it.

2. As disclosed in the announcement made by the Company on 27 November 2018 (the "2018 Announcement"), the Company entered into the subscription agreement (the "Subscription Agreement") with Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai International") as the subscriber, and Mr. Peter Zhu, Ms. Qian, Mr. Zhu, and Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the Series 1 Notes and Series 2 Notes (As defined in the 2018 Announcement) in the aggregate principal amount of US$20,000,000 in favour of Donghai Financial (the "Notes"). The Notes shall mature on the date falling 364 days from the closing date of the Series 1 Notes and Series 2 Notes respectively pursuant to the terms of the Subscription Agreement and the conditions to the Notes (the "Note Conditions").

   With the success in pandemic containment and the implementation of favourable policies for the real estate industry by various local governments, the property market in Mainland China is expected to gradually recover. Donghai International has agreed to allow more time for the Company to properly deal with its debt issue. Subsequently, the Donghai International also paid a field trip to the Xiangtan Project.

* *For identification purpose only*

As at the date of the 2018 Announcement, Mr. Zhu owns 100% of the issued share capital of KEYNE HOLDINGS, which in turn holds approximately 60.20% of the total issued share capital of the Company. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.

Pursuant to the Subscription Agreement and the conditions to the Notes, the Notes are, and they will become, immediately due and repayable, upon the occurrence of any of the following events, among others: 1. if Mr. Zhu ceases to be the largest shareholder of the Company, directly or indirectly holding not less than 51% of the issued share capital of the Company, at any time; 2. save as previously disclosed, if Mr. Zhu incurs, creates or permits to subsist or has outstanding any Financial Indebtedness (as defined in the 2018 Announcement) or enters into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any Financial Indebtedness (as defined in the 2018 Announcement) without Donghai Financial's prior written consent; 3. if Mr. Zhu enters into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any of his material assets or material part of his business without Donghai Financial's prior written consent; 4. save as previously disclosed, if Mr. Zhu creates or permits to subsist any Security Interest (as defined in the 2018 Announcement) over any shares in the Company he legally and/or beneficially holds; or 5. if Mr. Zhu sells, transfers or otherwise disposes of any shares in the Company he legally and/or beneficially holds on terms where it is or may be leased to or re-acquired or acquired by him or any of his related entities, or enters into any other preferential arrangement having a similar effect.

AUDITOR

The Consolidated Financial Statements for the Year have been audited by the Company's auditor, CL Partners CPA Limited ("CL Partners"). CL Partners will retire and being eligible, offer themselves for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of CL Partners as the auditor for the ensuing year will be put to the AGM for the Shareholder's approval.

On behalf of the Board

Zhang Li
Director

Hong Kong, 29 March 2023

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. QIAN Ling Ling, aged 58, is the Chairman of the Board and an executive Director. She has over 12 years of experience in hotel and commercial real estate management in the People's Republic of China (the "PRC"). Ms. Qian completed a three-year part-time course at Jiangsu Provincial Cadres College* (江蘇省省級機關幹部業餘大學) (now known as Jiangsu Provincial Management Cadres College* (江蘇省省級機關管理幹部學院)), the PRC, majoring in secretarial matters in December 1988. Prior to joining the Company, Ms. Qian has been a supervisor of Jiangsu Goldenland Real Estate Development Company Limited* (江蘇金大地房地產開發有限責任公司) since October 2007 and is responsible for the management of hotel and commercial real estate.

Ms. Qian is currently the deputy chairman of Shanghai Yuxing Charity Foundation* (上海宇興愛心慈善基金會), the vice president of Nanjing Jianye Hexi CBD Chamber of Commerce* (南京建鄴河西CBD商會) and the vice president of Jiangsu Chinese Overseas Friendship Association* (江蘇海外聯誼會).

Mr. ZHANG Li, aged 34, is the Chief Executive Officer and an executive Director. He has over 7 years of experience in financial management in the PRC. Mr. Zhang graduated from Hunan University of Commerce (湖南商學院), the PRC, with a bachelor's degree in finance in June 2010. He obtained a master's degree in science, specialising in quantitative finance, from DePaul University, the USA in March 2013. Mr. Zhang has passed the fund practitioner qualification examination* (基金從業人員資格考試) of the Asset Management Association of China (中國證券投資基金業協會). Prior to joining the Company, Mr. Zhang had worked as an investment manager in BOC Expresspay Company Limited (中銀通支付商務有限公司) and was responsible for equity investment and project analysis between July 2013 and September 2015. From March 2016 to June 2022, Mr. Zhang had worked as a senior investment manager in the securities investment department of Shanghai Huahu Golden Equity Investment Fund Management Company Limited* (上海華滬金瑞股權投資基金管理有限公司).

Mr. XIANG Junjie, aged 39, is an executive Director. He has over 12 years of experience in enterprise management in the PRC. Mr. Xiang graduated with a Bachelor's Degree in Electronic Commerce from the Department of Electronic Commerce at South China University of Technology, the PRC in July 2008. Prior to joining the Company, Mr. Xiang had been the chief executive officer of Dongguan Dejin Energy Technology Limited* (東莞市德晉能源科技有限公司) since 1 January 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSUI Pui Hung, aged 48, is an independent non-executive Director, the chairman of Nomination Committee and a member of each Audit Committee and Remuneration Committee. He is a practicing solicitor of the High Court of Hong Kong. Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed companies. He was an independent non-executive director of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited) (Stock Code: 8079) from 12 June 2007 to 30 June 2014.

Mr. TANG Ping Sum, aged 66, is an independent non-executive Director, the chairman of Audit Committee and a member of each Remuneration and Nomination Committee. He obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 18 years' experiences in the securities industry in Hong Kong.

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (Stock Code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Elife Holdings Limited (formerly known as Sino Resources Group Limited) (Stock Code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He was an independent non-executive director of China Investment Development Limited (Stock Code: 204), a company listed on the Stock Exchange, from 6 April 2011 to 1 February 2014.

Mr. Neil Kai Gu, aged 62, is an independent non-executive Director, the chairman of Remuneration Committee and a member of each Audit Committee and Nomination Committee. Mr. Gu obtained his degree of Master of Music from Brigham Young University in 1988 and a degree of Doctor of Musical Arts and Education from the University of Hartford. Mr. Gu has been the chief executive officer and the Chairman of the board of directors at CASIA Foundation, Inc., a private and non-profit organization in the United States of America, since 2007. Mr. Gu is also a chairman of the board of directors of CASI Foundation for Children, Inc. for over eleven years. Mr. Gu has been a professor of music for twenty years and he is currently a visiting professor at Boise State University in Boise, Idaho.

CL Partners

To the members of KEYNE LTD
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of KEYNE LTD (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 194, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the multiple uncertainties relating to going conern 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 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

Multiple uncertainties relating to going concern

As described in note 3.2 to the consolidated financial statements, the Group had accumulated losses of approximately HK$3,588,835,000, current liabilities exceeded its current assets by approximately HK$1,328,299,000 and net liabilities amounted to approximately HK$889,054,000 as at 31 December 2022. As at the same date, the Group's total borrowings amounted to approximately HK$1,839,132,000, of which current borrowings amounted to approximately HK$1,808,203,000, while its cash and cash equivalents amounted to approximately HK$1,119,000 and restricted bank deposits amounted to approximately HK$12,438,000. In addition, as at 31 December 2022, the Group was in default in respect of principal amount of borrowings totaling approximately HK$1,638,876,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2022. These conditions, together with other matters described in note 3.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 3.2 to the consolidated financial statements. 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 successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful accelerating the pre-sales of properties under development; (iv) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand for immediate repayment of the borrowings in default, including those with cross-default terms; and (vi) successfully managing the impact of the COVID-19 outbreak, as well as any Government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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.

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 ("HKSAs") issued by the HKICPA and to issue an auditor's report. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to 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 the 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.

CL Partners CPA Limited
Certified Public Accountants

Hong Ting
Practisng Certificate Number: P07069

Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**17,186**	18,327
Cost of sales		**(2,396)**	(2,547)
Gross profit		**14,790**	15,780
Other income and gains	6	**2,564**	1,581
Fair value loss on investment properties	15	**(10,696)**	(14,103)
Impairment loss on investments in associates	17	**(55,859)**	(5,871)
Impairment loss on construction in progress	13	**(90,873)**	(156,244)
Written down of properties under development	18	**(50,238)**	–
Administrative expenses		**(60,716)**	(73,933)
Selling and marketing expenses		**(9,736)**	(15,905)
Operating loss		**(260,764)**	(248,695)
Finance income	7	**159**	412
Finance costs	7	**(246,857)**	(302,522)
Finance costs – net	7	**(246,698)**	(302,110)
Share of results of associates	17	**(140)**	2,049
Loss before taxation	8	**(507,602)**	(548,756)
Income tax credit	10	**1,650**	11,394
Loss for the year attributable to owners of the Company		**(505,952)**	(537,362)
Loss per share attributable to owners of the Company			
Basic	12	**HK(14.18) cents**	HK(15.06) cents
Diluted	12	**HK(14.18) cents**	HK(15.06) cents

Details of dividend are disclosed in note 11 to the consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Company	**(505,952)**	(537,362)
Other comprehensive (expense) income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(8,901)**	37,250
Share of other comprehensive (expense) income of associates accounted for using the equity method	**(808)**	190
Other comprehensive (expense) income for the year, net of tax	**(9,709)**	37,440
Total comprehensive expense for the year attributable to owners of the Company	**(515,661)**	(499,922)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**217,133**	329,865
Right-of-use assets	14	**31,613**	38,105
Investment properties	15	**172,719**	198,727
Investments in associates	17	**197,368**	254,175
Deposits, prepayments and other receivables	20	**1,183**	1,501
Total non-current assets		**620,016**	822,373
Current assets			
Properties for sale or under development and other contract costs	18	**2,208,704**	2,447,299
Rental receivables	19	**8,122**	7,355
Deposits, prepayments and other receivables	20	**366,673**	413,289
Tax recoverable		**15,792**	6,661
Pledged deposits in a financial institution	21	**105,381**	–
Restricted bank deposits	22	**12,438**	33,648
Cash and cash equivalents	23	**1,119**	12,437
Total current assets		**2,718,229**	2,920,689
LIABILITIES			
Current liabilities			
Trade payables	24	**303,266**	338,366
Other payables, accruals and deposits received	25	**866,999**	712,669
Lease liabilities	26	**2,554**	1,096
Contract liabilities	27	**1,056,891**	1,132,026
Amount due to an associate	17	**8,615**	8,603
Borrowings	28	**1,808,203**	1,744,180
Total current liabilities		**4,046,528**	3,936,940
Net current liabilities		**(1,328,299)**	(1,016,251)
Total assets less current liabilities		**(708,283)**	(193,878)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deposits received	25	**2,651**	3,171
Lease liabilities	26	**3,286**	–
Borrowings	28	**30,929**	19,431
Deferred tax liabilities	29	**143,905**	156,913
Total non-current liabilities		**180,771**	179,515
Net liabilities		**(889,054)**	(373,393)
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	**35,688**	35,688
Reserves		**(924,742)**	(409,081)
Total deficit		**(889,054)**	(373,393)

Approved by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Qian Ling Ling
Director

Zhang Li
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Issued share capital HK$'000 (note 30)	Share premium HK$'000 (note 32(b)(i))	Contributed surplus HK$'000 (note 32(b)(ii))	Exchange reserve HK$'000 (note 32(b)(iii))	Special reserve HK$'000 (note 32(b)(iv))	Share options reserve HK$'000 (note 32(b)(v))	Other reserve HK$'000 (note 32(b)(vi))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	35,688	2,174,200	459,047	(19,522)	17,926	4,362	349	(2,545,521)	126,529
Loss for the year	–	–	–	–	–	–	–	(537,362)	(537,362)
Other comprehensive income:									
Exchange differences arising on translation of foreign operations	–	–	–	37,250	–	–	–	–	37,250
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–	–	190	–	190
	–	–	–	37,250	–	–	190	–	37,440
Total comprehensive income (expense) for the year	–	–	–	37,250	–	–	190	(537,362)	(499,922)
Balance at 31 December 2021 and 1 January 2022	**35,688**	**2,174,200**	**459,047**	**17,728**	**17,926**	**4,362**	**539**	**(3,082,883)**	**(373,393)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(505,952)**	**(505,952)**
Other comprehensive expense:									
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(8,901)**	**–**	**–**	**–**	**–**	**(8,901)**
Share of other comprehensive expense of associates accounted for using the equity method	**–**	**–**	**–**	**–**	**–**	**–**	**(808)**	**–**	**(808)**
	–	**–**	**–**	**(8,901)**	**–**	**–**	**(808)**	**–**	**(9,709)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(8,901)**	**–**	**–**	**(808)**	**(505,952)**	**(515,661)**
Balance at 31 December 2022	**35,688**	**2,174,200**	**459,047**	**8,827**	**17,926**	**4,362**	**(269)**	**(3,588,835)**	**(889,054)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(507,602)**	(548,756)
Adjustments for:		
Finance income	**(159)**	(412)
Finance costs	**244,148**	302,316
Depreciation		
– Owned assets	**179**	413
– Right-of-use assets	**3,285**	5,177
Gain on disposal of property, plant and equipment	**(70)**	–
Fair value loss on investment properties	**10,696**	14,103
Impairment loss on investments in associates	**55,859**	5,871
Impairment loss on construction in progress	**90,873**	156,244
Written down of properties under development	**50,238**	–
Share of results of associates	**140**	(2,049)
Operating cash flows before movements in working capital:	**(52,413)**	(67,093)
Increase in properties for sale or under development and other contract costs	**(2,642)**	(662,584)
(Increase) decrease in rental receivables	**(1,387)**	952
Decrease (increase) in deposits, prepayments and other receivables	**4,769**	(52,690)
(Decrease) increase in trade payables	**(61,717)**	286,722
(Decrease) increase in other payables, accruals and deposits received	**(23,201)**	66,808
Increase in contract liabilities	**13,029**	628,397
Cash (used in) generated from operations	**(123,562)**	200,512
Income taxes paid	**(90)**	(68)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Net cash (used in) from operating activities	**(123,652)**	200,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**–**	(69,307)
Proceeds from disposal of property, plant and equipment	**70**	–
(Increase) decrease in pledged deposits	**(105,381)**	36,981
Decrease in restricted bank deposits	**15,857**	8,138
Interest received	**51**	248
Net cash used in investing activities	**(89,403)**	(23,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**128,779**	98,077
Repayment of borrowings	**(150)**	(93,009)
Payment of lease liabilities	**(3,055)**	(5,370)
Interest paid on lease liabilities	**(551)**	(340)
Interest paid on borrowings	**(1,440)**	(200,808)
Net cash from (used in) financing activities	**123,583**	(201,450)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(89,472)**	(24,946)
Cash and cash equivalents at beginning of year	**12,437**	9,687
Effect of foreign exchange rate changes, net	**78,154**	27,696
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,119**	12,437

1. CORPORATE INFORMATION

KEYNE LTD (the "Company") was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company's ultimate holding company is KEYNE HOLDINGS LTD ("KEYNE HOLDINGS"), a company incorporated in the Cayman Islands.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") consist of rental of property, property and hotel development, and investment in centralised heat supply.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

The application of the amendments to HKFRSs in the current year has 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.

New and amendments to 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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the Directors 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in accounting policies below.

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

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

A fair value measurement of a non-financial asset taken 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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

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

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

The principal accounting policies are set out in note 3.3

3.2 Going concern basis

As at 31 December 2022, the Group had accumulated losses of approximately HK$3,588,835,000 (2021: HK$3,082,883,000), the Group's current liabilities exceeded its current assets by approximately HK$1,328,299,000 (2021: HK$1,016,251,000) and the Group's net liabilities amounted to approximately HK$889,054,000 (2021: HK$373,393,000). As at the same date, the Group's total borrowings amounted to approximately HK$1,839,132,000 (2021: HK$1,763,611,000), of which current borrowings amounted to approximately HK$1,808,203,000 (2021: HK$1,744,180,000), while its cash and cash equivalents amounted to approximately HK$1,119,000 (2021: HK$12,437,000), and restricted bank deposits amounted to approximately HK$12,438,000 (2021: HK$33,648,000).

As at 31 December 2022, certain borrowings whose principal amounts of approximately HK$490,673,000 and interest payable amounts of approximately HK$225,982,000, relating to borrowings with a total principal amounts of approximately HK$716,655,000 ("Overdue Borrowings") were overdue. The Group had failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in aggregate of approximately HK$282,025,000 and interest payable amounts of approximately HK$61,658,000. The aggregate principal amount of the aforementioned borrowings of approximately HK$1,638,876,000 would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK$118,919,000 with original contractual repayment dates beyond 31 December 2023 have been reclassified as current liabilities as at 31 December 2022.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Going concern basis *(Continued)*

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

(i) The Group is negotiating with several financial institutions and seeking for various options for fund to finance the Group's working capital and commitments in the foreseeable future. By negotiating with existing financial institutions to reach debt restructuring or extension agreements, or seeking new long-term debts to replace existing short-term debts, the Company may match the maturity of its debts with the timing of development and destocking of the projects, so as to fundamentally solve the short-term going concern issue. The management of the Company is confident that it will be able to extend the loans or complete debt restructuring to resolve the going concern issue before the end of the new financial year;

(ii) The Group will seek to accelerate the pre-sales of its properties under development (including remaining units of property projects and saleable car parks). Currently, the sale of the properties in Xiangtan ("Xiangtan Project") is the Company's primary source of cash flow. By accelerating the sale of the properties, the Company may meet the cash flow requirements for project development and pay interest on debts with the cash inflows from property pre-sales, thereby improving its cash flow;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization, management remuneration adjustments and capital expenditure control. This measure may reduce cash outflow and improve the cash flow of the Company; and

(iv) With the adjustment and optimisation of the pandemic prevention and control policy by the government in November 2022, the economic development and daily life gradually returned to normalcy, and now the pandemic basically imposes no impacts on the economic activities and daily life. The Group seized the opportunity to actively facilitate the construction and sales of the Xiangtan Project.

The Executive Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 31 December 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations fall due within twelve months from 31 December 2022. Accordingly, the Executive Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Going concern basis *(Continued)*

The Group is in active negotiation with all the lenders in respect of the default and overdue borrowings for renewal and extension of the relevant borrowings and the Executive Directors are confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delays in principal and interest repayments will not enforce their rights of requesting for immediate repayment.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2023 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2023; (b) were overdue as at 31 December 2022 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2023;

(ii) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

(iii) Successful obtaining of additional new sources of financing as and when needed;

(iv) Successful accelerating of the pre-sales and sales of properties under development and completed properties; and controlling costs and containing capital expenditures so as to generate adequate net cash inflows; and

(v) Successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cashflows from its operations.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Revenue from contracts with customers

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

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

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

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Contract costs

Incremental costs of obtaining a contract

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

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Contract costs *(Continued)*

Costs to fulfil a contract

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

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

Revenue from sale of properties

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as contract liabilities.

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 on or after the date of initial application of HKFRS 16 or arising from business combinations, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

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.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of carparks that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Low value assets comprise an office equipment and staff's quarters located in the People's Republic of China ("PRC"). 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Right-of-use assets *(Continued)*

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 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

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, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating lease

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms or 20%
Motor vehicles	10%-25%
Plant, machinery and equipment	10%-$33^1/_3$%

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including investment properties under development for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accounted operating lease income.

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

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and contract costs are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and contract costs *(Continued)*

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in notes 21 and 22.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Properties under development for sale

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost for model in accordance with the accounting policies of right-of-use assets, properties for sale or under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale

Properties under development are transferred to properties for sale upon completion.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties held for development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Financial instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

(i) Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including rental and other receivables, pledged deposits in a financial institution, restricted bank deposits and cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

For rental receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The ECL on rental receivables are assessed individually based on the Group's past experience of collecting payments, observable changes in economic conditions that correlate with default on receivables, and/or adjusted for forward-looking factors.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

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

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

(ii) Definition of default

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

Derecognition of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC Enterprise Income tax ("EIT") purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Significant accounting policies *(Continued)*

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the conolidated financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 3.2 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued)*

(b) *Classification of investment*

Determining whether an investment in another entity should be classified as an investment in an associate requires judgement. Management considers all aspects of the relationship between the investor and the investee in order to determine whether the Group has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has performed an assessment and considered the current accounting treatments for its associates to be appropriate.

Ever-Grand Development Limited ("Ever-Grand") and Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the"Partnership") are accounted for as associates since the Group has significant influence on but no control or joint control over these entities. As the majority of the Directors of Ever-Grand are nominated by the respective major shareholders, the Group does not control or joint control over Ever-Grand.

For Shanghai Jiaguan, the Group has participated in policy-making processes through its voting right that contributes to significant influence on the Partnership.

(c) *Provision of contingent withholding EIT*

As described in notes 17 and 39 to the consolidated financial statements, the Group acquired 49% equity interest in Ever-Grand and its PRC subsidiaries during 2016, but had not yet reported the relevant transaction to the PRC tax authorities. The relevant PRC tax laws and regulations would enable the PRC tax authorities to impose a penalty of 50% to 3 times of the unpaid EIT.

After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially withheld the EIT and made adequate provision for the non-withheld portion, thereby containing the risk of penalty to reasonably low level.

The Directors conclude that it is not probable that the Group will be required to pay the penalty and no provision in relation to any penalty is necessary as at 31 December 2022 and 2021. As a result, the Directors classify the potential penalty as contingent liabilities and disclose as such in note 39.

4. CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued)*

(d) Legal title of properties under development

As stated in note 18 to the consolidated financial statements, as at 31 December 2022, the Group fails to develop a parcel of land in accordance with the prescribed period of time stipulated in land grant agreements, the vendor of the land (the "Land Vendor") can issue an order to confiscate the land whilst imposing certain penalties to the Group. Due to incomplete resident relocation compensation process caused by the government, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the Directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The Directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2022 and 2021.

4.2 Key source 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 discussed below.

(a) Fair value of investment properties

The fair value was based on valuation of investment properties conducted by an independent professionally qualified valuer (the "Valuer"). In determining the fair values of the Group's investment properties, the Valuer applied a direct comparison approach which involves, inter-alia, significant unobservable inputs and significant judgements. Details of the judgement and assumptions have been disclosed in note 40.

The carrying amount of investment properties as at 31 December 2022 is HK$172,719,000 (2021: HK$198,727,000).

(b) Useful life and depreciation of property, plant and equipment

Management determines the estimated useful life, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful life of property, plant and equipment of similar nature and functions and with reference to the industry practices. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles.

Management will increase the depreciation charges where useful life are less than previously estimated life, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment as at 31 December 2022 is HK$217,133,000 (2021: HK$329,865,000).

4. CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

4.2 Key source of estimation uncertainty *(Continued)*

(c) *Impairment of property, plant and equipment and right-of-use assets*

The Group assesses annually whether property, plant and equipment and right-of-use assets have any indication of impairment. The recoverable amounts, if required, are determined based on value-in-use calculations or market valuations. These calculations require the use of judgement and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and affecting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss.

Impairment loss of property, plant and equipment and right-of-use assets amounted to HK$90,873,000 (2021: HK$156,244,000) and Nil (2021: Nil) respectively, is made for the year ended 31 December 2022.

(d) *Net realisable value of properties for sale or under development*

The Group writes down properties for sale or under development to their net realisable value based on assessment of the realisability of these properties.

Net realisable value for properties for sale or under development takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties for sale or under development to net realisable value.

Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties for sale or under development is adjusted in the period in which such estimate is changed.

4. CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

4.2 Key source of estimation uncertainty *(Continued)*

(d) Net realisable value of properties for sale or under development *(Continued)*

Written down of properties under development of HK$50,238,000 (2021: Nil) is made for the year ended 31 December 2022.

(e) Impairment of investments in associates

At the end of each reporting period, the Group reviews internal and external sources of information to identify indicators that the Group's investments in associates may be impaired.

The recoverable amounts of the investments in associates are the higher of value-in-use and fair value less costs of disposal. In determining value-in-use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associates and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investments in associates.

Impairment loss of HK$55,859,000 (2021: HK$5,871,000) for investments in associates is made for the year ended 31 December 2022.

(f) Income taxes (including LAT)

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

During the year ended 31 December 2022, income tax of HK$1,650,000 (2021: HK$11,394,000) was credited to profit or loss based on the estimated loss from the Group's operations.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into three business units – (i) Property rental, (ii) Property and hotel development and (iii) Centralised heat supply.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit (loss) before taxation. The profit (loss) before taxation is measured consistently with the Group's profit (loss) before taxation except that finance income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits in a financial institution, restricted bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	–	–	–
External revenue from other sources	17,186	–	–	17,186
Total revenue	17,186	–	–	17,186
Segment results	1,268	(190,889)	(56,007)	(245,628)
Unallocated corporate expenses				(15,276)
Finance income				159
Finance costs				(246,857)
Loss before taxation				(507,602)
Income tax credit				1,650
Loss for the year				(505,952)

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2022

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	182,370	2,816,484	–	142,023	3,140,877
Investments in associates	–	–	197,368	–	197,368
Segment liabilities	113,978	2,787,171	–	1,326,150	4,227,299
Other segment information:					
Capital expenditure					
– Owned assets	–	69	–	–	69
Depreciation					
– Owned assets	77	65	–	37	179
– Right-of-use assets	–	–	–	2,820	2,820
Fair value loss on investment properties	10,696	–	–	–	10,696
Impairment loss on investments in associates	–	–	55,859	–	55,859
Impairment loss on construction in progress	–	90,873	–	–	90,873
Written down of properties under development	–	50,238	–	–	50,238
Share of results of associates	–	–	140	–	140

5. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	–	–	–
External revenue from other sources	18,327	–	–	18,327
Total revenue	18,327	–	–	18,327
Segment results	(17,855)	(192,743)	(3,149)	(213,747)
Unallocated corporate expenses				(32,899)
Finance income				412
Finance costs				(302,522)
Loss before taxation				(548,756)
Income tax credit				11,394
Loss for the year				(537,362)

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2021

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	207,819	3,224,541	–	56,527	3,488,887
Investments in associates	–	–	254,175	–	254,175
Segment liabilities	80,899	2,833,513	–	1,202,043	4,116,455
Other segment information:					
Capital expenditure					
– Owned assets	–	69,293	–	13	69,306
Depreciation					
– Owned assets	107	102	–	204	413
– Right-of-use assets	1,319	–	–	3,393	4,712
Fair value loss on investment properties	14,103	–	–	–	14,103
Impairment loss on investment in associates	685	–	5,186	–	5,871
Impairment loss on construction in progress	–	156,244	–	–	156,244
Share of results of associates	–	–	(2,049)	–	(2,049)

5. SEGMENT INFORMATION *(Continued)*

a) Geographical information

2022

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	–	17,186	17,186
Non-current assets (other than financial instruments)	5,882	612,951	618,833
Capital expenditure	–	69	69

2021

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	–	18,327	18,327
Non-current assets (other than financial instruments)	1,088	819,784	820,872
Capital expenditure	13	69,293	69,306

b) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Customer A	11,494	13,498
Customer B	2,800	N/A[1]
Customer C	1,894	1,982
	16,188	15,480

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of sales of properties and rental income received and receivable from its investment properties less value-added tax during the year.

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customers		
Sales of properties	**–**	–
Revenue from other sources		
Property rental income	**17,186**	18,327
	17,186	18,327
Other income and gains		
Government grants (note)	**81**	–
Gain on disposal of property, plant and equipment	**70**	–
Others	**2,413**	1,581
	2,564	1,581

Note: The Group recognized government grants of HK$81,000 in respect of COVID-19-related subsidies, of which HK$81,000 related to Employment Support Scheme provided by the Hong Kong Government for the year ended 31 December 2022 (2021: nil).

7. FINANCE COSTS – NET

	2022 HK$'000	2021 HK$'000
Finance costs:		
Interest on bank borrowings	**35,848**	52,061
Interest on other borrowings	**217,811**	182,439
Interest on lease liabilities	**551**	340
Significant financing component of contract liabilities	**1,283**	78,777
Foreign exchange difference, net	**2,709**	206
	258,202	313,823
Less: amounts capitalised on qualifying assets	**(11,345)**	(11,301)
Total finance costs	**246,857**	302,522
Finance income:		
Interest income on short-term bank deposits	**(51)**	(248)
Interest income from rental deposits	**(108)**	(164)
Total finance income	**(159)**	(412)
Finance costs – net	**246,698**	302,110

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at a capitalisation rate of 8.00% (2021:8.00%) during the year.

8. LOSS BEFORE TAXATION

	Notes	2022 HK$'000	2021 HK$'000
Loss before taxation has been arrived at after charging:			
Directors' remuneration (note 9(a))		**2,976**	3,848
Other staff costs:			
Wages and salaries		**10,261**	14,471
Retirement benefit schemes contributions	(iii)	**544**	631
Total staff costs		**13,781**	18,950
Depreciation of property, plant and equipment (note 13)		**179**	413
Depreciation of right-of-use assets (note 14)	(ii)	**2,820**	4,712
Total depreciation		**2,999**	5,125
Auditor's remuneration		**1,500**	1,800
Compensation to a construction contractor (note 25)		**14,744**	15,006
Short-term lease payment		**25**	97
Leases of low-value items		**70**	279
and after crediting:			
Gross rental income from investment properties		**17,186**	18,327
Less: Direct operating expenses of investment properties that generated rental income during the year	(i)	**(2,396)**	(2,547)
		14,790	15,780

Notes:

(i) The direct operating expenses of investment properties that generated rental income during the year are included in "cost of sales" of the consolidated statement of profit or loss.

(ii) The depreciation of right-of-use assets of approximately HK$465,000 (2021: HK$465,000) are included in "wages and salaries" as the right-of-use assets is a staff quarter provided by the Group to its employees.

(iii) No forfeited contribution under a Mandatory Provident Fund retirement benefit scheme ("the MPF scheme") is available to reduce the contribution payable in future years.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

(a) Directors' and chief executive's emoluments

	2022 HK$'000	2021 HK$'000
Fees	**312**	312
Other emoluments:		
Salaries and allowances	**2,646**	3,485
Retirement benefit schemes contributions	**18**	51
	2,976	3,848

2022

	Fees HK$'000	**Salaries and allowances HK$'000**	**Retirement benefit schemes contributions HK$'000**	**Total HK$'000**
Executive Directors:				
Mr. Xiang Junjie	**–**	**380**	**18**	**398**
Ms. Qian Ling Ling	**–**	**1,140**	**–**	**1,140**
Mr. Zhang Li	**–**	**1,126**	**–**	**1,126**
	–	**2,646**	**18**	**2,664**
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	**120**	**–**	**–**	**120**
Mr. Tang Ping Sum	**96**	**–**	**–**	**96**
Mr. Chiu Sin Nang, Kenny (Note a)	**48**	**–**	**–**	**48**
Mr. Neil Kai Gu (Note b)	**48**	**–**	**–**	**48**
	312	**–**	**–**	**312**
	312	**2,646**	**18**	**2,976**

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

2021

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
Executive Directors:				
Mr. Xiang Junjie	–	600	18	618
Ms. Qian Ling Ling	–	1,505	–	1,505
Mr. Zhang Li	–	1,380	33	1,413
	–	3,485	51	3,536
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chiu Sin Nang, Kenny (Note a)	96	–	–	96
	312	–	–	312
	312	3,485	51	3,848

Notes:

(a) Mr. Chiu Sin Nang, Kenny ceased to act as an Independent Non-executive Director of the Company on 1 July 2022.

(b) Mr. Neil Kai Gu was appointed to act as an Independent Non-executive Director of the Company on 1 July 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: Nil).

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Emoluments of five-highest paid individuals

In 2022, the five individuals whose emoluments were the highest in the Group included two (2021: two) directors whose emoluments are reflected in the analysis presented in note 9(a). The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries and allowances	**2,592**	3,047
Retirement benefit schemes contributions	**81**	103
	2,673	3,150

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

	2022	2021
Emolument bands (in HK$)		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	1

10. INCOME TAX CREDIT

	2022	2021
	HK$'000	HK$'000
Current tax – PRC:		
Credit for the year	**–**	(8,795)
Underprovision in prior years	**94**	–
Deferred tax (note 29)	**(1,744)**	(2,599)
Total income tax credit	**(1,650)**	(11,394)

The applicable tax rate for the Group's operations in Mainland China is 25% for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

10. INCOME TAX CREDIT *(Continued)*

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

	2022 **HK$'000**	2021 HK$'000
Loss before taxation	**(507,602)**	(548,756)
Tax at the statutory tax rates	**(115,906)**	(129,509)
Tax effect of expenses not deductible for tax purpose	**98,450**	92,735
Tax effect of income not taxable for tax purpose	**(14)**	(2)
Tax effect of tax losses not recognised	**15,780**	25,768
Share of results of associates	**23**	(338)
Underprovision in prior years	**94**	–
Utilisation of deductible temporary difference previously not recognised	**(77)**	(48)
Total income tax credit	**(1,650)**	(11,394)

The weighted average effective tax rate was 22.8% (2021: 23.6%).

11. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following:

	2022 **HK$'000**	2021 HK$'000
Loss for the year attributable to owners of the Company	**(505,952)**	(537,362)

Number of shares (in thousand)	**2022**	2021
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,568,791**	3,568,791

	2022	2021
Loss per share attributable to owners of the Company		
Basic	**HK(14.18) cents**	HK(15.06) cents

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2022 and 2021, the Company had one category of dilutive potential ordinary shares, being the share options.

The computation of diluted loss per share does not assume the exercise of the Company's share options for both years because the exercise price of those share options would result in a decrease in loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
At 1 January 2021						
Cost	780,817	1,328	5,616	14,602	2,857	805,220
Accumulated depreciation	–	(1,291)	(5,476)	(13,796)	(2,643)	(23,206)
Accumulated impairment loss	(384,733)	–	–	–	–	(384,733)
Net carrying amount	396,084	37	140	806	214	397,281
Year ended 31 December 2021						
Opening net carrying amount	396,084	37	140	806	214	397,281
Additions	77,589	–	–	–	20	77,609
Depreciation	–	(25)	(135)	(158)	(95)	(413)
Impairment loss	(156,244)	–	–	–	–	(156,244)
Exchange realignment	11,615	3	–	19	(5)	11,632
Closing carrying amount	329,044	15	5	667	134	329,865
At 31 December 2021						
Cost	808,129	1,342	5,707	14,730	2,900	832,808
Accumulated depreciation	–	(1,327)	(5,702)	(14,063)	(2,766)	(23,858)
Accumulated impairment loss	(479,085)	–	–	–	–	(479,085)
Net carrying amount	329,044	15	5	667	134	329,865
Year ended 31 December 2022						
Opening net carrying amount	329,044	15	5	667	134	329,865
Additions	8,082	–	–	–	–	8,082
Disposal (Note (i))	–	–	–	–	–	–
Written off (Note (ii))	–	–	–	–	–	–
Depreciation	–	(8)	(5)	(119)	(47)	(179)
Impairment loss	(90,873)	–	–	–	–	(90,873)
Exchange realignment	(29,702)	–	–	(49)	(11)	(29,762)
Closing carrying amount	216,551	7	–	499	76	217,133
At 31 December 2022						
Cost	751,660	990	5,401	13,602	2,765	774,418
Accumulated depreciation	–	(983)	(5,401)	(13,103)	(2,689)	(22,176)
Accumulated impairment loss	(535,109)	–	–	–	–	(535,109)
Net carrying amount	216,551	7	–	499	76	217,133

Notes:

(i) As at 31 December 2022, the motor vehicles with cost of HK$475,000 (2021: Nil) was fully depreciated and disposed.

(ii) As at 31 December 2022, the furniture and fixtures with cost of HK$311,000 (2021: Nil) was fully depreciated and written off.

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of HK$179,000 (2021: HK$413,000) in "administrative expenses" has been charged.

Construction in progress as at 31 December 2022 and 2021 mainly comprised hotel units being constructed in the PRC, which were pledged to secure borrowings granted to the Group (note 28).

For the purpose of the impairment test, the recoverable amounts of the hotel have been determined based on fair value less costs of disposal calculations using market approach (2021: same).

As at 31 December 2022 and 2021, under market approach, several comparable hotels were adopted for direct comparison. The Group has engaged an independent professionally qualified valuer, Valplus Consulting Limited, to assist in the determination of the fair value less costs of disposal of the hotel based on the direct comparison method.

The Group considers the direct comparison method of market approach (2021: same) to be an appropriate and acceptable valuation method as the development of the hotel is planned to be completed in 2024 such that market comparable could be identified for the determination of the recoverable amounts.

As at 31 December 2022 and 2021, the recoverable amounts of the hotel units have been determined based on their fair value less costs of disposal. The Group uses direct comparison to estimate the fair value less costs of disposal of the assets which is largely involves recent comparable prices with further adjustment for similar properties adjusted for asking price, location and conditions of the property. Unobservable inputs of asking discount of 5%, location discount of 10% and condition discount of 10% (2021: 5%, 10% and 15%) respectively were taking into account of the direct comparison approach. The increase of these unobservable inputs will decrease the fair value of hotel units.

The fair value measurements of the hotel units as at 31 December 2022 and 2021 fall within Level 3 of the fair value measurement hierarchy. During the years ended 31 December 2022 and 2021, there were no transfers into or out of Level 3 for such fair value measurement.

Due to the further delay in the opening of the hotel units, the recoverable amount of the hotel units is less than their carrying amount, impairment loss of HK$90,873,000 and Nil on construction in progress and right-of-use assets in relation to the hotel units respectively were recognised during the year ended 31 December 2022 (2021: HK$156,244,000 and Nil respectively).

Although the carrying amounts of the construction in progress and the right-of-use assets in relation to the hotel units have been reduced to their estimated recoverable amounts of HK$216,551,000 and HK$25,752,000 (note 14) respectively (2021: carrying amount of HK$329,044,000 and HK$37,075,000 respectively), any adverse change in the key assumptions used to determine the recoverable amounts would result in further impairment losses.

14. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2022			
Carrying amount	**25,752**	**5,861**	**31,613**
As at 31 December 2021			
Carrying amount	37,075	1,030	38,105
For the year ended 31 December 2022			
Depreciation charge	**–**	**3,285**	**3,285**
Capitalised in construction in progress	**8,012**	**–**	**8,012**
For the year ended 31 December 2021			
Depreciation charge	–	5,177	5,177
Capitalised in construction in progress	8,303	–	8,303

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases	**25**	97
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**70**	279
Total cash outflow for leases	**3,701**	6,086
Additions to right-of-use assets	**8,116**	930

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

For both years, the Group leases various leasehold lands, offices and staff quarters for its operations. Lease contracts are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

14. RIGHT-OF-USE ASSETS *(Continued)*

The Group regularly entered into short-term leases for carparks. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense.

Details of the lease maturity analysis of lease liabilities are set out in note 26.

Leasehold lands represent prepayments in relation to leases of land in the PRC. The movements in their net carrying amount are analysed as above.

During the year, the Group capitalised amortisation of leasehold lands amounted to HK$8,012,000 (2021: HK$8,303,000) to construction in progress (note 13).

At 31 December 2022, the carrying amount of leasehold lands of HK$25,752,000 (2021: HK$37,075,000) are located in the PRC with remaining lease term between 10 to 50 years.

At 31 December 2022 and 2021, the Group's leasehold lands were pledged to secure borrowings granted to the Group (note 28). At 31 December 2022, the carrying amount of leasehold lands is HK$25,752,000 (2021: HK$37,075,000), of which included accumulated impairment loss of HK$197,947,000 (2021: HK$197,947,000).

The leasehold lands are related to the hotel units. For the impairment assessment of leasehold lands, please refer to note 13 in details.

15. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At fair value		
At 1 January	**198,727**	207,390
Fair value loss	**(10,696)**	(14,103)
Exchange realignment	**(15,312)**	5,440
At 31 December	**172,719**	198,727

At 31 December 2022 and 2021, the Group's investment properties were pledged to secure borrowings granted to the Group (note 28).

The analysis of the net carrying amount of investment properties according to lease periods are as follows:

Details of the lease activities

	Financial statements items included in	Number of leases	Range of remaining lease term	Particulars
Land use rights in the PRC	Investment properties carried at fair value	1	4.75 years (2021: 5.75 years)	All lease payments are prepaid upon entering the contract

An independent valuation of the Group's investment properties was performed by the valuer, Valplus Consulting Limited (2021: same), to determine the fair values of the investment properties as at 31 December 2022 and 2021. For the year ended 31 December 2022, a fair value loss of HK$10,696,000 (2021: HK$14,103,000) was recognised in the consolidated statement of profit or loss.

16. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/registered capital	Percentage of ownership interest		Principal activities
			2022	2021	
Adore Capital Limited	British Virgin Islands ("BVI")/Hong Kong, limited liability company	United States dollars ("US$") 1	**100**	100	Investment holding
Brilliant Field Corporation Limited ("Brilliant Field")	Hong Kong, limited liability company	HK$1	**100**	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK$1	**100**	100	Provision of management services
Grimston Limited	BVI/Hong Kong, limited liability company	US$10,000	**100**	100	Investment holding
Cheung Wo (Hunan) Property Limited ("Cheung Wo (Hunan)")	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Vast Build Limited	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Sino Step Inc. ("Sino Step")	BVI/Hong Kong, limited liability company	US$99	**100**	100	Investment holding

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/registered capital	Percentage of ownership interest 2022	Percentage of ownership interest 2021	Principal activities
Walsbo Limited	Hong Kong, limited liability company	HK$2 ordinary shares and HK$9,800 non-voting deferred shares (note)	**100**	100	Investment holding
Profit Source International Limited ("Profit Source")	Hong Kong, limited liability company	HK$2	**100**	100	Investment holding
成都中發黃河實業有限公司^ (Chengdu Zhongfa Real Estate Development Co. Ltd.) ("Chengdu Zhongfa")	PRC, limited liability company	Renminbi ("RMB") 176,000,000	**100**	100	Property holding
湖南九華國際新城開發建設有限公司^ (Hunan Jiuhua International City Development Construction Company Limited) ("Hunan Jiuhua")	PRC, limited liability company	RMB342,041,272	**100**	100	Property development
湖南九華東方酒店有限公司^ (Hunan Jiuhua Dong Fang Hotel Company Limited) ("Dong Fang Hotel")	PRC, limited liability company	RMB300,000,000	**100**	100	Hotel development

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note: Those deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

^ Chengdu Zhongfa, Hunan Jiuhua and Dong Fang Hotel are registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Company directly holds the interests in Adore Capital Limited, Grimston Limited, Sino Step, Cheung Wo (Hunan) and Vast Build Limited. All other interests shown above are held indirectly.

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2022 **HK$'000**	2021 HK$'000
Unlisted investments:		
Share of net assets	**225,613**	226,561
Goodwill	**1,040,373**	1,040,373
Loan to an associate	**1,176**	1,176
Accumulated impairment loss	**(1,079,935)**	(1,024,076)
Exchange realignment	**10,141**	10,141
	197,368	254,175

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as quasi-equity investments in associates.

	2022 **HK$'000**	2021 HK$'000
Amount due to an associate	**8,615**	8,603

Included in the amount due to an associate, amounting to HK$8,464,000 (2021: HK$8,452,000) is unsecured, interest bearing at 10% per annum and repayable on or before 30 June 2023 (2021:30 June 2022).

The remaining balance of HK$151,000 (2021: HK$151,000) is unsecured, interest-free and has no fixed terms of repayment.

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2022 **HK$'000**	2021 HK$'000
Share of (loss) profits	**(140)**	2,049

Set out below are the associates of the Group as at 31 December 2022 and 2021, which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Particulars of the Group's investments in associates at 31 December 2022 and 2021 are as follows:

Name of entity	**Place of incorporation/ operations and form of legal entity**	**Particulars of issued share capital**	**Percentage of ownership interest and voting power held indirectly**		**Principal activities**
			2022	2021	
Ever-Grand (note a)	BVI/PRC, limited liability company	100 ordinary shares of US$1 each	**49**	49	Construction and operation of steam heat distribution system
Shanghai Jiaguan (note b)	PRC, limited partnership	RMB1,150,010,000	**16.52**	16.52	Debt investment

There are no contingent liabilities relating to the Group's associates.

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised financial information on the associates

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs financial statements of the associates.

	Ever-Grand		**Shanghai Jiaguan**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**5,142**	8,041	**–**	–	**5,142**	8,041
Current assets	**31,416**	33,470	**1,252,956**	1,332,240	**1,284,372**	1,365,710
Current liabilities	**(12,791)**	(15,350)	**(26,431)**	(781)	**(39,222)**	(16,131)
Net assets	**23,767**	26,161	**1,226,525**	1,331,459	**1,250,292**	1,357,620
Non-controlling interest's ("NCI's") share of net assets	**(4,815)**	(5,276)	**–**	–	**(4,815)**	(5,276)
Net assets excluding NCI's portion	**18,952**	20,885	**1,226,525**	1,331,459	**1,245,477**	1,352,344
Group's share of net assets	**9,286**	10,234	**216,327**	216,327	**225,613**	226,561
Loan to an associate	**1,176**	1,176	**–**	–	**1,176**	1,176
Goodwill	**1,040,373**	1,040,373	**–**	–	**1,040,373**	1,040,373
Accumulated impairment loss	**(853,467)**	(797,608)	**(226,468)**	(226,468)	**(1,079,935)**	(1,024,076)
Exchange realignment	**–**	–	**10,141**	10,141	**10,141**	10,141
Group's share of carrying amount of interests	**197,368**	254,175	**–**	–	**197,368**	254,175

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised statement of profit or loss and other comprehensive income

	Ever-Grand		Shanghai Jiaguan		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Revenue	**30,614**	47,120	**–**	–	**30,614**	47,120
(Loss) profit for the year	**(352)**	5,228	**(245)**	(13,845)	**(597)**	(8,617)
Other comprehensive (expense) income for the year	**(1,648)**	387	**–**	–	**(1,648)**	387
Total comprehensive (expense) income for the year	**(2,000)**	5,615	**(245)**	(13,845)	**(2,245)**	(8,230)

The information above reflects the amounts presented in the financial statements of the associates (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

As at 31 December 2022, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK$35,264,000 (2021: HK$29,419,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes:

(a) On 16 November 2015, the Group entered into a formal sale and purchase agreement with Sky-Linked International Limited (the "Vendor"), pursuant to which the Group acquired 49% of the entire issued share capital of Ever-Grand.

The investment in Ever-Grand was included in the segement of "Centralised heat supply".

For impairment assessment, the Group had estimated the recoverable amount of Ever-Grand amounting HK$197,368,000 (2021: HK$254,175,000), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2022, due to further delay in pipeline construction, an impairment loss of HK$55,859,000 (2021: HK$5,186,000) was recognised in the consolidated statement of profit or loss. The pre-tax discount rate used was 14.9% (2021: 15.7%).

17. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Due to the delay coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan was yet to issue as scheduled from the local and central government of the PRC authority, the financial projections, in particular, the capital expenditures plan of Ever-Grand have been delayed from the period from 31 December 2022 to 31 December 2023, further delayed to the period from 31 December 2023 to 31 December 2026. Thus the revenue projections for Ever-Grand have been delayed accordingly. The management of the Ever-Grand Group has then revised the financial forecast of Ever-Grand in arriving at a more conservative estimate which better reflect the industry outlook.

At 31 December 2022, the 49% equity interest of the investment in Ever-Grand was pledged to secure borrowings granted to the Group (note 28).

(b) On 8 February 2018, Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Group, entered into a Limited Partnership Agreement with other unrelated partners in relation to the capital contributions and management of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the "Partnership"). The intended investment project of the Partnership is to acquire restructured debts from Anhui Guohou Finance Assets Management Company Limited.

As at 31 December 2022 and 2021, Chengdu Zhongfa holds 16.52% equity interest in Shanghai Jiaguan under the category of a second deferred limited partner. According to the limited partnership agreement, Chengdu Zhongfa is not entitled to any fixed return but is entitled to the remainder of the Partnership after distribution. As disclosed in note 4.1(b), the management determined to account for the investment in Partnership as an interest in associate, due to the participation in policy-making processes through its potential voting right that contributes to significant influence to the associate.

The investment in Shanghai Jiaguan was included in the segment of "property rental".

For impairment assessment of Shanghai Jiaguan, since the Group is entitled to the residual return of the Partnership after the distribution of all capital contributions and expected returns to other investors, the estimated recoverable amount of the residual return amounting approximately Nil (2021: Nil) which was less than the investment cost of approximately HK$216,327,000, based on the Monte Carlo simulation valuation method. As at 31 December 2022 and 2021, due to the significant uncertainties involved in the future liquidation value of the underlying assets and the residual return to the Group, the investment cost of Shanghai Jiaguan was fully impaired.

The Monte Carlo simulation estimates the expected value of variables by repetitive experiment. Large volume of controlled random numbers is generated according to prescribed underlying probability distribution. Conditional values of financial instruments based on a particular set of random variables are derived and multiplied with relevant probability distribution to arrive at their expected value(s).

* *For identification purpose only*

18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS

	2022 HK$'000	2021 HK$'000
Properties under development (note a)	**2,188,999**	2,425,912
Properties for sale (note a)	**–**	–
Other contract costs (note b)	**19,705**	21,387
	2,208,704	2,447,299

(a) Properties for sale or under development

	2022		2021	
	Properties under development HK$'000	**Properties for sale HK$'000**	Properties under development HK$'000	Properties for sale HK$'000
At 1 January	**2,425,912**	**–**	1,760,463	–
Additions	**19,576**	**–**	555,731	–
Written down (note (i))	**(50,238)**	**–**	–	–
Pledged for litigation (note (ii))	**(16,934)**	**–**	–	–
Exchange realignment	**(189,317)**	**–**	109,718	–
At 31 December	**2,188,999**	**–**	2,425,912	–
Properties for sale or under development comprise:				
Land use rights	**1,374,607**	**–**	1,537,511	–
Construction costs and capitalised expenditures	**768,289**	**–**	854,445	–
Finance costs capitalised	**46,103**	**–**	33,956	–
	2,188,999	**–**	2,425,912	–
Amounts are expected to be completed:				
Within the normal operating cycle included under current assets	**2,188,999**	**N/A**	2,425,912	N/A

Notes:

(i) The management of the Group had carried out impairment assessment on the properties under development based on the lower of cost and net realisable value. Written down of properties under development of HK$50,238,000 (2021: Nil) is made for the year ended 31 December 2022.

(ii) For the year ended 31 December 2022, the Group filed legal proceedings against different court cases for breaches of construction contracts and property sale and purchase contracts. The Group has made a provision amounting to approximately HK$16,934,000 (equivalent to RMB14,557,000), which the court requested to frozen properties under development of the Group. Up to the date of this report, these litigations are still in progress (2021: Nil).

18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(a) Properties for sale or under development *(Continued)*

Land use rights for properties for sale or under development represent prepayments in relation to leases of land in the PRC. The analysis of carrying amount of land use rights for properties for sale or under development is as follows:

	2022 **HK$'000**	2021 HK$'000
In the PRC, with remaining lease term of:		
– 50 years or more	**1,206,795**	1,309,786
– between 10 to 50 years	**167,812**	227,725
	1,374,607	1,537,511

At 31 December 2022, the Group's land use rights included in the properties under development with a carrying amount of HK$1,517,323,000 (2021: HK$1,724,651,000) was pledged to secure certain borrowings granted to the Group (note 28).

At 31 December 2022, the Group's properties under development with a carrying amount of HK$80,366,000 (2021: HK$87,225,000) was assigned to a construction contractor for settlement of the compensation to a construction contractor (note 25).

The carrying amount of the properties under development expected to be completed and available for sale after more than twelve months from 31 December 2022 amounted to HK$295,202,000 (2021: HK$292,661,000).

Included in properties under development is a parcel of land located at Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC ("Xiangtan Phase II Project") with carrying amount of approximately HK$1,448,483,000 (2021: HK$1,581,948,000) as at 31 December 2022. Pursuant to the land grant agreements (the "Land Grant Agreements") dated 29 September 2013 entered into between Hunan Jiuhua and Xiangtan City Land Resources Bureau (the "Land Vendor"), if Hunan Jiuhua fails to develop the land in accordance with the prescribed period of time stipulated in the Land Grant Agreements, the Land Vendor can issue an order to confiscate the land whilst imposing certain penalties to Hunan Jiuhua.

Due to incomplete resident relocation compensation process caused by the government, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the Directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The Directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2022 and 2021.

18. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(b) Other contract costs

Contract costs capitalised relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "Selling expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. There were no capitalised costs recognised in profit or loss during the year. There was no impairment in relation to the costs capitalised during the year. The amount of capitalised contract costs that is expected to be recovered after one year is approximately HK$19,705,000 (2021: HK$20,863,000).

19. RENTAL RECEIVABLES

	2022 **HK$'000**	2021 HK$'000
Rental receivables	**15,637**	15,511
Less: ECL allowance	**(7,515)**	(8,156)
Rental receivables – net	**8,122**	7,355

The carrying amounts of rental receivables approximate their fair values.

Movements in the ECL allowance of rental receivables are as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**8,156**	7,939
Exchange realignment	**(641)**	217
At 31 December	**7,515**	8,156

19. RENTAL RECEIVABLES *(Continued)*

The carrying amounts of the rental receivables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**8,122**	7,355

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Other prepayments	(i)	**76,706**	97,266
Other receivables		**6,221**	7,441
Prepaid construction cost	(ii)	**283,105**	307,884
Utility and other deposits		**1,824**	2,199
		367,856	414,790
Less: Current portion		**(366,673)**	(413,289)
Non-current portion		**1,183**	1,501

Notes:

(i) The balances mainly included the prepayment of value-added tax to the PRC tax authorities of HK$73,831,000 (2021: HK$96,294,000).

(ii) The balances represents prepayment to construction contractors in the PRC relating to the construction project of the Group in Hunan for developing the residential properties and hotel.

The carrying amounts of other receivables approximate their fair values as the impact of discounting is not significant.

None of the other receivables is either past due or impaired. Other receivables included in the above balances had no recent history of default.

21. PLEDGED DEPOSITS IN A FINANCIAL INSTITUTION

As at 31 December 2022, the amounts were deposits in a lender designated bank account as a collateral to secure certain borrowings of HK$118,919,000 granted to the Group (note 28) (2021:Nil). The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property project when approval from PRC State-Owned Land Resources is obtained.

As at 31 December 2022, the pledged deposits in a financial institution of the Group denominated in RMB amounted to HK$105,381,000 (2021: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. RESTRICTED BANK DEPOSITS

	Notes	**2022** **HK$'000**	2021 HK$'000
Guarantee deposits for construction of pre-sale properties	(i)	**8,485**	32,842
Restricted use bank deposits	(ii)	**3,953**	806
		12,438	33,648

Notes:

(i) In accordance with the Administration of Pre-sale of Commodity Premises Regulations in the PRC, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property project when approval from PRC State-Owned Land Resources and Housing Administrative Bureau is obtained. Such restriction will be released after completion of related pre-sale properties.

(ii) As at 31 December 2022, pursuant to the bank accounts co-administration agreement signed between subsidiaries of the Company and independent lenders, the usage of restricted bank deposits of HK$3,953,000 (2021: HK$806,000) was restricted until a consent from the lender is obtained.

As at 31 December 2022, the restricted bank deposits of the Group denominated in RMB amounted to HK$12,438,000 (2021: HK$33,648,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**1,119**	12,437

The carrying values of cash and cash equivalents approximate their fair values.

At 31 December 2022, cash and bank balances of the Group denominated in RMB amounted to HK$982,000 (2021: HK$11,646,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**129**	781
RMB	**982**	11,646
US$	**8**	10
	1,119	12,437

24. TRADE PAYABLES

At 31 December 2022 and 2021, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
0 – 90 days	**290,809**	275,534
91 – 180 days	**5,585**	57,855
181 – 365 days	**4,233**	2,113
Over 1 year	**2,639**	2,864
	303,266	338,366

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**303,266**	338,366

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Notes	2022 HK$'000	2021 HK$'000
Other payables		**16,867**	5,299
Refundable sales proceeds from pre-sale residential properties		**25,004**	24,476
Tender received from potential construction contractors		**50,908**	89,964
Accruals		**30,207**	20,975
Accrued interest expenses	(i)	**415,855**	168,073
Rental deposits received		**2,876**	3,172
Deferred government grants	(ii)	**67,690**	73,466
Construction cost payables	(iii)	**50,767**	126,107
Acquisition cost payables	(iv)	**60,000**	60,000
PRC withholding tax payables	(iv)	**28,200**	28,200
Payable to a construction contractor	(v)	**121,276**	116,108
		869,650	715,840
Less: non-current portion		**(2,651)**	(3,171)
Current portion		**866,999**	712,669

The carrying amounts of the other payables, accruals and deposits received approximate to their fair values.

Notes:

(i) The amount included the accrued penalty interest expenses of a bank of approximately HK$61,658,000 at 31 December 2022 (2021: HK$17,318,000).

For the year ended 31 December 2021, the bank filed legal proceedings against the Group, demanding to repay the principal and accrued interest of bank borrowing. The legal dispute was settled out of court by a deed of agreement entered into the Group and the bank. The Group agreed to compensate the penalty interest of approximately HK$17,318,000 (approximately RMB14,367,000), repay the principal of approximately HK$306,110,000 (RMB250,000,000) and accrued interest by June 2023, secured by the Group's investment properties with a net carrying amount of approximately HK$198,727,000, a property owned by a director of the Company, corporate guarantees by related companies and the Group, and personal guarantees by the Directors. The litigation was concluded and finalized in 2021.

For the year ended 31 December 2022, the bank further filed legal proceedings against the Group, demanding to repay the principal of approximately HK$282,025,000 (RMB250,000,000) and interest and penalty interest of HK$30,152,000 (approximately RMB25,919,000) of bank borrowing. As at 31 December 2022, the accumulated accrued interest and penalty interest were approximately HK$61,658,000 (approximately RMB54,653,000). The litigation has been scheduled for hearing. On 22 February 2023, the Group has received a court notice and enforcement judgement. The Group failed to perform their obligations under the Judgement, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa's real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao.

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

Notes: *(Continued)*

(ii) Government grants of HK$67,690,000 (2021: HK$73,466,000) were granted to subsidies the construction of hotel units in the PRC. There were unfulfilled conditions and other contingencies attached to the receipts of those grants. There was no assurance that the Group will continue to receive such grants in the future. The government grants will be classified as a reduction of the hotel construction cost when it is put in service.

(iii) The amount represents construction cost payables to subcontractors for the construction of hotel units in the PRC, which was included in the property, plant and equipment as "Construction in progress" (note 13).

(iv) The amount represents cash consideration payable for the acquisition of 49% equity interest in EverGrand and the provision of contingent withholding EIT. Further details are disclosed in note 39.

(v) The amount represented the compensation payable for settlement of the litigation amounted to HK$121,276,000 (approximately RMB107,499,000) at 31 December 2022 (2021: HK$116,108,000 (approximately RMB94,825,000) to a construction contractor. During the year ended 31 December 2019, the Group filed legal proceedings against a construction contractor, demanding to rescind the construction contracts, in respect of the construction contractor's failure to perform certain contractual duties over a property development project in Xiangtan which constitute a breach of construction contracts. The construction contractor filed a counterclaim against the Group for payment of outstanding construction costs and compensate its financial loss during the suspension period of construction. During the year ended 31 December 2020, the legal dispute was settled out of court by a deed of agreement entered into the Group and the construction contractor. The Group agreed to compensate HK$122,045,000 (approximately RMB108,510,000) to the construction contractor. The amount includes construction cost of approximately HK$91,216,000 (approximately RMB81,100,000) and penalties of approximately HK$30,829,000 (approximately RMB27,410,000). Among the total compensation, approximately HK$92,802,000 (approximately RMB82,510,000) will be settled by assignment of properties to the construction contractor upon completion. The litigation was concluded and finalized in 2020. During the year ended 31 December 2021, the Group had settled HK$6,286,000 (approximately RMB5,134,000) by assignment of properties to the construction contractor (2022: Nil). Under the deed of agreement, penalty interest of HK$14,744,000 (approximately RMB12,674,000) (2021: HK$15,006,000 (approximately RMB12,449,000)) was accrued to a construction contractor during the year ended 31 December 2022.

26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022 **HK$'000**	2021 HK$'000
Total minimum lease payments:		
Due within one year	**2,978**	1,124
Due in the second to fifth years	**3,475**	–
	6,453	1,124
Future finance charges on lease liabilities	**(613)**	(28)
Present value of lease liabilities	**5,840**	1,096

	2022 **HK$'000**	2021 HK$'000
Present value of minimum lease payments:		
Due within one year	**2,554**	1,096
Due in the second to fifth years	**3,286**	–
	5,840	1,096
Less: Portion due within one year included under current liabilities	**(2,554)**	(1,096)
Portion due after one year included under non-current liabilities	**3,286**	–

During the year ended 31 December 2022, the total cash outflows for the leases are HK$3,701,000 (2021: HK$6,086,000).

26. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2022, the Group has entered into leases for one office (2021: two offices) and one staff quarter (2021: one staff quarter).

Types of right-of-use assets	Financial statements items included in	Number of leases	Range of remaining lease term	Particulars
Office	Leased properties carried at cost in "Right-of-use assets"	1 (2021:2)	2.2 years (2021: 0.2 years)	Only subject to monthly fixed rental payment
Staff quarter	Leased properties carried at cost in "Right-of-use assets"	1 (2021:1)	0.1 years (2021:1.1 years)	Only subject to monthly fixed rental payment

Details of the remaining lease term of leasehold lands and leasehold lands for properties for sale or under development are disclosed in notes 14 and 18 to the consolidated financial statements respectively.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

27. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities arising from receiving sales proceeds from customers based on the terms established in the property sale contracts	**1,056,891**	1,132,026

The amount represents deposits and instalments received on properties sold to independent third parties after issuance of pre-sale certificates by local government authorities.

(a) Revenue recognised in relation to contract liabilities

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**–**	–

(b) Unsatisfied performance obligation related to sales of properties

	2022 HK$'000	2021 HK$'000
Revenue expected to be recognised within one year	**25,138**	24,825
Revenue expected to be recognised after one year	**921,208**	988,572
Total transaction price allocated to the unsatisfied performance obligation	**946,346**	1,013,397

28. BORROWINGS

	Maturity	**2022 HK$'000**	2021 HK$'000
Current liabilities			
Bank borrowings – secured (note i)	June 2022	**62,037**	67,332
Bank borrowings – secured (note ii)	On demand	**282,025**	306,110
Other borrowings – secured (note iii)	December 2022	**285,069**	284,704
Other borrowings – secured (note iv)	November and December 2020	**143,567**	143,483
Other borrowings – secured (note v)	December 2023	**747,259**	811,032
Other borrowings – secured (note vi)	On demand	**118,919**	–
Other borrowings – unsecured (note vii)	On demand	**151,986**	113,103
Other borrowings – unsecured (note viii)	December 2023	**3,841**	3,841
Other borrowings – unsecured (note ix)	June 2022	**–**	1,075
Borrowings from a related party – unsecured (note x)	December 2023	**13,500**	13,500
		1,808,203	1,744,180
Non-current liabilities			
Other borrowings – unsecured (note ix)	June, August, November 2024	**1,942**	655
Borrowings from a director – unsecured (note xi)	2024 and 2025	**7,380**	2,280
Other borrowings – unsecured (note xii)	2024	**21,607**	16,496
		30,929	19,431
		1,839,132	1,763,611

The Group's borrowings are repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year or on demand	**1,808,203**	1,744,180
Within a period of more than one year but not exceeding two years	**25,829**	19,431
Within a period of more than two years but not exceeding five years	**5,100**	–
	1,839,132	1,763,611

28. BORROWINGS *(Continued)*

Notes:

(i) At 31 December 2022, the Group's bank borrowings of HK$62,037,000 (2021: HK$67,332,000) is repayable by June 2022 (2021: repayable by installments from January 2022 to June 2022), were interest bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years (2021: 5 years) granted by financial institutions. At 31 December 2022, principal amount of HK$62,037,000 (2021: Nil) were overdue.

At 31 December 2022 and 2021, the bank borrowings were secured and guaranteed by:

(a) the Group's leasehold lands (first priority charge) (note 14) and construction in progress (first priority charge) (note 13) with a net carrying amount of HK$25,752,000 (2021: HK$37,075,000) and HK$216,551,000 (2021: HK$329,044,000) respectively;

(b) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a corporate guarantee executed by a subsidiary of the Group including Hunan Jiuhua International City Development Construction Company Limited ("Hunan Jiuhua"); and

(d) a corporate guarantee executed by Shanghai Jin Da Di investment Company Limited* (上海金大地投資有限公司) ("Shanghai Jin Da Di"). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(ii) At 31 December 2022, the Group's bank borrowings of HK$282,025,000 (2021: HK$306,110,000) is repayable on demand (2021: June 2023), were interest bearing at 9.5% per annum and penalty interest at 14.5% per annum (2021: 9.5% per annum). At 31 December 2022, principal amount of HK$282,025,000 were failed to fulfill certain financial covenants, terms and conditions.

At 31 December 2022 and 2021, the bank borrowings were secured and guaranteed by:

(a) the Group's investment properties (note 15) with a net carrying amount of HK$172,719,000 (2021: HK$198,727,000);

(b) a property owned by Ms. Qian Ling Ling (a director of the Company);

(c) corporate guarantees executed by Shanghai Jin Da Di, Nanjing Jin Gao Real Estate Company Limited* (南京金高房地產開發有限公司) ("Nanjian Jin Gao") and Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) ("Yangzhou Ya Tai"). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(d) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) corporate guarantees executed by the Company and a subsidiary of the Group including Hunan Jiuhua.

28. BORROWINGS *(Continued)*

Notes: *(Continued)*

(iii) At 31 December 2022, the Group's other borrowings of HK$285,069,000 (2021: HK$284,704,000) were penalty interest bearing at 18% per annum (2021: interest bearing at 9% per annum) and repayable by installments from March 2022 to December 2022 (2021: repayable by installments from March 2022 to December 2022). At 31 December 2022, principal amount of HK$285,069,000 (2021: Nil) were overdue.

At 31 December 2022 and 2021, the other borrowings were secured and guaranteed by:

(a) equity interests in subsidiaries of the Group under Brilliant Field and Profit Source;

(b) first fixed charge over 2,010,501,197 shares (2021: 2,010,501,197 shares) of the Company owned by KEYNE HOLDINGS, the substantial shareholder of the Company. The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a fixed charge over a bank account;

(d) corporate guarantees executed by related companies, Ever Harmony Enterprises Limited, Yangzhou Ya Tai and Nanjing Jin Gao. The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).

(iv) At 31 December 2022, the Group's other borrowings of HK$143,567,000 (2021: HK$143,483,000) were secured and guaranteed, interest bearing at bank best lending rate and penalty interest bearing at 22.5% (2021: same) and were repayable in November and December 2020 (2021: repayable in November and December 2020). At 31 December 2022, principal amount of HK$143,567,000 (2021: HK$143,483,000) were overdue.

At 31 December 2022 and 2021, the other borrowings were secured and guaranteed by:

(a) personal guarantees executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company) and Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling);

(b) corporate guarantees executed by Shanghai Jin Da Di and Shanghai Xin Rong Properties Development Limited* (上海新融置業發展有限公司). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a share charge over the equity interest in Ever-Grand (note 17); and

(d) certain properties for sale or under development owned by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華滬銀年投資合夥企業(有限合夥)), the ultimate controlling shareholder of this company is Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling), and Gaoyou Jin Ao Real Estate Development Company Limited* (高郵金奧房地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

28. BORROWINGS *(Continued)*

Notes: *(Continued)*

(v) At 31 December 2022, the Group's other borrowings of HK$747,259,000 (2021: HK$811,032,000) in total with extended maturity date in December 2023 (2021: January, May, June 2022 and January 2023), were interest bearing at 12% per annum (2021: 12% per annum) and will be repayable by installments.

The other borrowings were secured and guaranteed by:

(a) certain properties under development (note 18), with a net carrying amount of approximately HK$1,517,323,000 (2021: HK$1,724,651,000);

(b) corporate guarantees executed by related companies, Yangzhou Ya Tai and Shanghai Jin Da Di. The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) personal guarantees executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company);

(d) the Group's leasehold lands (second priority charge) (note 14) and construction in progress (second priority charge) (note 13) with a net carrying amount of HK$25,752,000 (2021: HK$37,075,000) and HK$216,551,000 (2021: HK$329,044,000) respectively; and

(vi) As at 31 December 2022, the Group's other borrowings of the Guaranteed Building Special Loan provided by the PRC Government to support Xiangtan Project were interest bearing at 2.8% per annum, secured by certain properties under development (note 18) with a net carrying amount of approximately HK$140,993,000 and repayable on demand (2021: Nil).

Management estimates that after taking the measures as set out in note 3.2 and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment date of these reclassified other borrowings could be reverted to their respective original repayment date in September 2024 which are all beyond 31 December 2023.

(vii) At 31 December 2022 and 2021, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

(viii) At 31 December 2022 and 2021, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2023 (2021: 31 December 2022).

(ix) At 31 December 2022 and 2021, the Group's other borrowings from a related party were interest bearing at 5% per annum (2021: 5% per annum), unsecured and repayable by installments in June, August, November 2024 (2021: June 2022 and August 2023).

(x) At 31 December 2022 and 2021, the Group's borrowings from a related party were repayable in December 2023 (2021: December 2022), unsecured and interest-free, and was assigned from a former shareholder, executed by a deed of loan assignment.

28. BORROWINGS *(Continued)*

Notes: *(Continued)*

(xi) At 31 December 2022 and 2021, the Group's borrowings from a director were interest bearing at 5% per annum, unsecured and repayable by installments in 2024 and 2025 (2021: July and December 2023).

(xii) At 31 December 2022 and 2021, the Group's other borrowings from related parties were interest-free, unsecured and payable by installments in 2024 (2021: February, April, May and June 2023).

* *For identification purpose only*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2022 **HK$'000**	2021 HK$'000
HK$	**275,539**	256,944
RMB	**1,134,957**	1,069,595
US$	**428,636**	437,072
	1,839,132	1,763,611

29. DEFERRED TAX LIABILITIES

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**156,913**	155,315
Credit for the year (note 10)	**(1,744)**	(2,599)
Exchange realignment	**(11,264)**	4,197
At 31 December	**143,905**	156,913

29. DEFERRED TAX LIABILITIES *(Continued)*

The movements of major components in the deferred tax liabilities during the year are as follows:

	Revaluation of land use rights	Revaluation of investment properties	Different bases in reporting revenue with tax authority	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	115,621	35,686	3,915	93	155,315
Credit for the year	–	(2,596)	(3)	–	(2,599)
Exchange realignment	3,157	933	107	–	4,197
At 31 December 2021 and 1 January 2022	**118,778**	**34,023**	**4,019**	**93**	**156,913**
(Credit) charge for the year	**–**	**(1,777)**	**33**	**–**	**(1,744)**
Exchange realignment	**(8,325)**	**(2,622)**	**(317)**	**–**	**(11,264)**
At 31 December 2022	**110,453**	**29,624**	**3,735**	**93**	**143,905**

At 31 December 2022, the Group had unused tax losses in Hong Kong of approximately HK$57,310,000 (2021: HK$51,210,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and unused tax losses in the PRC of HK$316,717,000 (2021: HK$232,228,000) available for offsetting against future profits of the PRC subsidiaries which will expire in 5 years. No deferred tax assets in respect of such losses has been recognised due to the unpredictability of future taxable profit streams.

30. SHARE CAPITAL

	2022 **HK$'000**	2021 HK$'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,568,790,629 ordinary shares of HK$0.01 each	**35,688**	35,688

There were no movements in the Company's authorised and issued share capital during the years ended 31 December 2022 and 2021.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	16	**6,173**	6,173
Property, plant and equipment		**–**	–
Total non-current assets		**6,173**	6,173
Current assets			
Prepayments and other receivables		**99**	1,049
Amounts due from subsidiaries		**633,924**	833,310
Cash and cash equivalents		**37**	467
Total current assets		**634,060**	834,826
LIABILITIES			
Current liabilities			
Other payables and accruals		**314,146**	188,869
Amount due to a subsidiary		**17,945**	17,953
Amount due to an associate		**151**	151
Borrowings		**673,345**	674,585
Total current liabilities		**1,005,587**	881,558
Net current liabilities		**(371,527)**	(46,732)
Total assets less current liabilities		**(365,354)**	(40,559)
Non-current liability			
Borrowings		**30,929**	19,431
Net liabilities		**(396,283)**	(59,990)

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	Notes	**2022** **HK$'000**	2021 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	30	**35,688**	35,688
Reserves		**(431,971)**	(95,678)
Total deficit		**(396,283)**	(59,990)

Approved by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Qian Ling Ling
Director

Zhang Li
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	2,174,200	503,119	4,362	(2,630,101)	51,580
Loss and total comprehensive expense for the year	–	–-	–	(147,258)	(147,258)
At 31 December 2021 and 1 January 2022	**2,174,200**	**503,119**	**4,362**	**(2,777,359)**	**(95,678)**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(336,293)**	**(336,293)**
At 31 December 2022	**2,174,200**	**503,119**	**4,362**	**(3,113,652)**	**(431,971)**

32. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium reserve represents the amount of the excess of issue price of the Company's shares over its par value.

(ii) Contributed surplus

The contributed surplus reserve comprises (i) HK$44,072,000 arising from the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company in exchange thereof at the time of the Group reorganisation; and (ii) HK$459,047,000 arising from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

32. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.3 to the consolidated financial statements.

(iv) Special reserve

The special reserve represents (i) difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of HK$10,420,000 and (ii) the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK$7,506,000

(v) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3.3 to the consolidated financial statements.

(vi) Other reserve

The other reserve represents the share of other comprehensive income of an associate.

33. SHARE-BASED PAYMENTS

The Company has a share option scheme (the 'Scheme') which was adopted on 2 September 2013 whereby the share options are granted to directors, employees and certain eligible persons. The options have no vesting period and are excercisable in ten years from the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	2022		2021	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January and 31 December	**24,711,625**	**0.362**	24,711,625	0.362
Exercisable at 31 December	**24,711,625**	**0.362**	24,711,625	0.362

Details of the share options granted under the Scheme to certain eligible participants of the Company to subscribe for the shares in the Company are as follows:

				Number of share options					
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1.1.2022	Granted during the review period	Exercised during The review period	Cancelled/ Lapsed during the Year	Outstanding as at 31.12.2022	Approximate percentage of the Issued share of the Company %
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625	–	–	–	24,711,625	0.69
				24,711,625	–	–	–	24,711,625	0.69

For the years ended 31 December 2022 and 2021, no options were granted or exercised, and no share-based payments have been recognised in profit or loss.

The share options outstanding at 31 December 2022 had exercise prices of HK$0.362 per share (2021: HK$0.362) and a weighted average remaining contractual life of approximately 5 years (2021: 6 years).

34. NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group's settlement of construction deposits amounted to approximately HK$22,302,000 (2021: HK$19,375,000) were paid by related parties on behalf of the Group. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

During the year ended 31 December 2022, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$8,116,000 and HK$7,799,000 (2021: HK$930,000 and HK$917,000) as recognised at the lease commencement date respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	Lease liabilities (note 26) HK$'000	**Borrowings (note 28)** HK$'000 (note)	**Amount due to an associate (note 17)** HK$'000	**Total** HK$'000
As at 1 January 2021	5,534	1,877,685	7,663	1,890,882
Cash flows:				
Proceeds from borrowings	–	98,077	–	98,077
Repayment of borrowings	–	(93,009)	–	(93,009)
Capital element of lease rental paid	(5,370)	–	–	(5,370)
Interest element of lease rental paid	(340)	–	–	(340)
Interest paid	–	(200,808)	–	(200,808)
Non-cash flows:				
Entering into new leases	930	–	–	930
Interest expenses	340	234,685	723	235,748
Foreign exchange movement	2	(4,321)	217	(4,102)
Construction deposits paid by related parties	–	19,375	–	19,375
As at 31 December 2021 and 1 January 2022	**1,096**	**1,931,684**	**8,603**	**1,941,383**
Cash flows:				
Proceeds from borrowings	**–**	**128,779**	**–**	**128,779**
Repayment of borrowings	**–**	**(150)**	**–**	**(150)**
Capital element of lease rental paid	**(3,055)**	**–**	**–**	**(3,055)**
Interest element of lease rental paid	**(551)**	**–**	**–**	**(551)**
Interest paid	**–**	**(1,440)**	**–**	**(1,440)**
Non-cash flows:				
Entering into new leases	**7,799**	**–**	**–**	**7,799**
Interest expenses	**551**	**252,961**	**698**	**254,210**
Foreign exchange movement	**–**	**(79,149)**	**(686)**	**(79,835)**
Construction deposits paid by related parties	**–**	**22,302**	**–**	**22,302**
As at 31 December 2022	**5,840**	**2,254,987**	**8,615**	**2,269,442**

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

Reconciliation of liabilities arising from financing activities *(Continued)*

Note:

(a) The following table shows the breakdown of the borrowings and interest payable as at 31 December 2022 and 2021:

	2022 **HK$'000**	2021 HK$'000
Borrowings (note 28)	**1,839,132**	1,763,611
Interest payable (included in other payables and accruals) (note 25)	**415,855**	168,073
	2,254,987	1,931,684

(b) During the year ended 31 December 2022, interest expenses of HK$Nil (2021: HK$3,367,000) paid on behalf of the Group by related parties were converted to other borrowings to the Group.

36. LEASE COMMITMENTS

(a) As lessor

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 1 to 13 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**20,059**	20,069
After 1 year but within 2 years	**20,667**	19,106
After 2 years but within 3 years	**21,083**	19,242
After 3 years but within 4 years	**21,197**	19,902
After 4 years but within 5 years	**7,729**	20,277
After 5 years	**–**	9,393
	90,735	107,989

36. LEASE COMMITMENTS *(Continued)*

(b) As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**3**	21
	3	21

At 31 December 2022 and 2021, the Group leases certain staff quarters and carparks with a lease period of less than 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

37. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments for the following expenditures in respect of:

	2022 **HK$'000**	2021 HK$'000
Contracted but not provided for:		
Property and hotel development	**2,027,958**	2,149,438

38. RELATED PARTY DISCLOSURES

(i) Related party transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the reporting period:

(a) During the years ended 31 December 2022 and 2021, a loan was assigned to Mr. Cheng Keung Fai, the beneficial owner of Full Dragon Group Limited and a former shareholder of the Company, executed by a deed of loan assignment. Details of the terms and maturity date are disclosed in note 28(x) to the consolidated financial statements.

(b) During the year ended 31 December 2022 and 2021, the Group entered into director loan agreements with Ms. Qian Ling Ling, a Director of the Company, for an unsecured loan and bears interest at 5% per annum. As at 31 December 2022 and 2021, HK$7,380,000 (2021: HK$2,280,000) in total had been drawn down by the Company. The interest expenses to Ms. Qian Ling Ling was HK$262,000 (2021: HK$11,000) during the year ended 31 December 2022. Details of the terms and maturity dates are disclosed in note 28(xi) to the consolidated financial statements.

(c) During the year ended 31 December 2022 and 2021, the Group entered into an agreement with an associate for an unsecured loan and bears interest at 10% per annum. The interest expenses to an associate was HK$698,000 (2021: HK$723,000) during the year ended 31 December 2022.

Further details on guarantees and securities provided by related parties for the Group's bank and other borrowings are disclosed in note 28 to the consolidated financial statements.

(ii) Compensation of key management personnel

The Directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 9(a) to the consolidated financial statements.

39. CONTINGENT LIABILITIES

(i) Provision of contingent withholding EIT

According to Tax Circular 698 and Public Notice [2015] No. 7 ("Public Notice 7") of the State Administration of Taxation (the "SAT"), the Group's acquisition of 49% equity interest in Ever-Grand during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be recharacterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and the Vendor has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

On 22 July 2022, the Vendor has transferred HK$60,000,000 payable to a third party Vendor, while terms and conditions are same as before.

At 31 December 2022 and 2021, the Company and the third party vendor/Vendor have mutually agreed in writing to further extend the settlement period of the held back sum of HK$60,000,000 in cash on or before 31 December 2023 (2021: on or before 31 December 2022) by one single or multiple payment.

39. CONTINGENT LIABILITIES *(Continued)*

(ii) Pending litigation

(a) During the year ended 31 December 2022, the court ordered Chengdu Zhongfa for the repayment to Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch) ("ZCCB") all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment in respect of the loan agreement dated 17 November 2020 and the settlement agreement dated 17 December 2021 entered into between Chengdu Zhongfa as borrower and ZCCB as lender (collectively, the "ZCCB Loan Agreements") for the loan principal of RMB250,000,000 (the "ZCCB Loan"), on the basis of the Company's alleged joint and several liability to the ZCCB Loan under the guarantee agreement dated 17 November 2020 entered into between the Company as guarantor and ZCCB as lender in respect of the ZCCB Loan; On 22 February 2023, Chengdu Zhongfa has received a court notice and enforcement judgement. Pursuant to the court notice and enforcement judgement, Chengdu Zhongfa failed to perform their obligations under the judgement, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa's real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao. Up to the date of this report, the litigation is still in progress.

(b) During the year ended 31 December 2022, the court ordered Dong Fang Hotel and Hunan Jiuhua, that (i) Dong Fang Hotel be ordered to repay to the Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch) ("ICBC") all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment (the "ICBC Liabilities") in respect of the loan agreement dated 11 September 2012 for the loan principal of RMB250,000,000, the first loan extension agreement dated 31 March 2016 for the loan principal of RMB190,000,000, the second loan extension agreement dated 30 December 2019 for the loan principal of RMB68,000,000, the third loan extension agreement dated 11 December 2020 for the loan principal of RMB20,000,000 and the fourth loan extension agreement dated 28 June 2021 for the loan principal of RMB60,000,000 all entered into between Dong Fang Hotel as borrower and ICBC as lender (collectively, the ("ICBC Loan Agreements"), and ("ICBC Loans") refers to the loans granted by ICBC to Dong Fang Hotel under the ICBC Loan Agreements). (ii) among other defendants, Hunan Jiuhua and Ms. Qian Ling Ling be ordered to repay the ICBC Liabilities on the basis of Hunan Jiuhua and Ms. Qian Ling Ling's alleged joint and several liability to the ICBC Loans under the guarantee agreement dated 28 June 2021 entered into between Hunan Jiuhua as guarantor and ICBC as lender in respect of the ICBC Loans, and the guarantee agreement dated 29 June 2021 entered into between Ms. Qian Ling Ling as guarantor and ICBC as lender of the ICBC Loans. The ICBC Civil Complaint was accepted by the Hunan Court and the ICBC Proceedings have been scheduled for hearing on 6 September 2022. Furthermore, Dong Fang Hotel and Hunan Jiuhua have recently received from the People's Court of Yuhu District, Xiangtan City, Hunan Province (the "Hunan Court") the civil judgement. Pursuant to the civil judgement, the Hunan Court has passed the application made by ICBC to apply for property preservation against Dong Fang Hotel, Hunan Jiuhua and Ms. Qian Ling Ling, the chairman and executive director of the board of directors, and ruled to freeze the bank deposits, valued RMB56,481,508.80, of Dong Fang Hotel, Hunan Jiuhua and Ms. Qian Ling Ling or seal up or distrain upon other property of equal value. Up to the date of this report, the litigation is still in progress.

39. CONTINGENT LIABILITIES *(Continued)*

(ii) Pending litigation *(Continued)*

(c) During the year ended 31 December 2022, a construction contractor filed legal proceedings against the Group, for the overdue construction cost of RMB12,110,000. The court requested to freeze the bank deposits or other properties of RMB12,110,000. In respect of the litigation case, the Group has freezed the construction in progress amounted to RMB12,110,000. Up to the date of this report, the litigation is still in progress.

Except as above, the Group has no material contingent liabilities as at 31 December 2022 and 2021.

40. FINANCIAL INSTRUMENTS

(I) Categories of financial instruments

	2022	2021
	HK$'000	HK$'000
Financial assets		
Financial assets measured at amortised cost:		
– Rental receivables	**8,122**	7,355
– Other receivables	**6,221**	7,441
– Pledged deposits in a financial institution	**105,381**	–
– Utility and other deposits	**1,824**	2,199
– Restricted bank deposits	**12,438**	33,648
– Cash and cash equivalents	**1,119**	12,437
	135,105	63,080
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Trade payables	**303,266**	338,366
– Other payables	**16,867**	5,299
– Refundable sales proceeds from pre-sale residential properties	**25,004**	24,476
– Tender received from potential construction contractors	**50,908**	89,964
– Accruals	**30,207**	20,975
– Accrued interest expense	**415,855**	168,073
– Construction cost payables	**50,767**	126,107
– Acquisition cost payables	**60,000**	60,000
– Lease liabilities	**5,840**	1,096
– Amount due to an associate	**8,615**	8,603
– Borrowings	**1,839,132**	1,763,611
– Payable to a construction contractor	**121,276**	116,108
	2,927,737	2,722,678

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposits, pledged deposits in a financial institution, cash and cash equivalents and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as rental and other receivables, lease liabilities, amount due to an associate and trade and other payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Interest rate risk

At 31 December 2022, the Group had bank borrowing of HK$282,025,000 (2021: HK$306,110,000) and other borrowings of HK$1,160,569,000 (2021: HK$1,099,747,000), which were interest bearing with fixed interest rates.

At 31 December 2022, the Group had bank borrowings of HK$62,037,000 (2021: HK$67,332,000) and other borrowings of HK$143,567,000 (2021: HK$143,483,000), which are interest bearing with floating interest rates. If interest rates on the bank and other borrowings, have been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$1,717,000 (2021: HK$1,760,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Foreign currency risk

The Group carries on its sale and purchase/expenses transactions and raising borrowings mainly in HK$, US$ and RMB. As the foreign currency risk generated from the sales and purchases/expenses can be set off with each other, and the Group's subsidiaries borrow in its respective functional currencies, hence the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases/expenses in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

US$ is not the functional currency of the Company and its subsidiaries. However, given that HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(c) Credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2022 and 2021 is the carrying amount as disclosed in note 40.

(i) Rental receivables

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. The Directors have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward-looking information. The Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19, and concluded that there is no significant increase in credit risk.

Based on the above basis, no loss allowance was made on the Group's outstanding rental receivables for the year ended 31 December 2022 (2021: Nil).

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(c) Credit risk *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, pledged deposits in a financial institution restricted bank deposits and cash and cash equivalents. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 3.3 and, thus, ECL recognised is based on 12m ECL and is close to zero.

The credit risks on restricted bank deposits and cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The Directors have prepared cash flow projections for the year ending 31 December 2023 on the basis that: (1) proceeds from pre-sales in 2023 will be more than that of 2022; (2) construction payments will be satisfied by receipt of the relevant proceeds from pre-sales; (3) available loan facilities will be no less than that of 2022; and (4) there will be no further breach of debt covenants in 2023. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the pre-sales of properties under development, if any of the above conditions are not fully fulfilled.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources for the development of properties for sale, implementing cost control measures, introducing seeking other funding alternatives. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows on the earliest date of which the Group can be required to pay. The table includes both interest and principal cash flows is as follows:

	Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2022			
Trade payables	**300,627**	**2,639**	**303,266**
Other payables	**16,867**	**–**	**16,867**
Refundable sales proceeds from pre-sale residential properties	**25,004**	**–**	**25,004**
Tender received from potential construction contractors	**50,908**	**–**	**50,908**
Accruals	**30,207**	**–**	**30,207**
Accrued interest expense	**415,855**	**–**	**415,855**
Construction cost payables	**50,767**	**–**	**50,767**
Acquisition cost payables	**60,000**	**–**	**60,000**
Lease liabilities	**2,978**	**3,475**	**6,453**
Amount due to an associate	**8,615**	**–**	**8,615**
Borrowings	**1,692,613**	**153,647**	**1,846,260**
Payable to a construction contractor	**121,276**	**–**	**121,276**
	2,775,717	**159,761**	**2,935,478**
2021			
Trade payables	335,502	2,864	338,366
Other payables	5,299	–	5,299
Refundable sales proceeds from pre-sale residential properties	24,476	–	24,476
Tender received from potential construction contractors	89,964	–	89,964
Accruals	20,975	–	20,975
Accrued interest expense	168,073	–	168,073
Construction cost payables	126,107	–	126,107
Acquisition cost payables	60,000	–	60,000
Lease liabilities	1,124	–	1,124
Amount due to an associate	8,603	–	8,603
Borrowings	1,744,180	19,713	1,763,893
Payable to a construction contractor	116,108	–	116,108
	2,700,411	22,577	2,722,988

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in "within one year or on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate undiscounted principal and interest amounts of these borrowings amounted to HK$1,846,260,000 (2021: HK$1,763,893,000). Taking into account the management's plans and measures as described in note 3.2, the management of the Group does not believe that it is probable that the lenders of such borrowings will exercise their discretionary rights to demand immediate repayment. The management believes that such borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and accordingly, the aggregate principal and interest cash outflows amounted to HK$2,035,292,000 (2021: HK$1,934,580,000), details of which are set out in the table below:

Maturity analysis - Borrowings with a repayment on demand ------ on scheduled repayments

	Within one year HK$'000	Between two to five years HK$'000	Total HK$'000
2022			
Borrowings	**2,000,564**	**34,728**	**2,035,292**
2021			
Borrowings	1,329,703	604,877	1,934,580

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for and benefit for shareholders and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amounts of dividend paid to shareholders, return capital to shareholders, issue new shares or selling assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The current ratio at 31 December 2022 and 2021 is as follows:

	2022 **HK$'000**	2021 HK$'000
Current assets	**2,718,229**	2,920,689
Current liabilities	**4,046,528**	3,936,940
Current ratio	**0.67**	0.74

40. FINANCIAL INSTRUMENTS *(Continued)*

(II) Financial risk management objectives and policies *(Continued)*

(g) Offsetting financial assets and financial liabilities

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

(III) Fair value measurements

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. Financial assets and liabilities measured at fair value in the consolidatd statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at each reporting date due to the immediate or short maturity of these financial instruments.

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2022 HK$'000
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	**–**	**–**	**172,719**	**172,719**

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2021 HK$'000
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	–	–	198,727	198,727

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(b) *Reconciliation of assets measured at fair value based on level 3:*

2022	**Investment properties – Shopping mall (note 15) HK$'000**
At 1 January	**198,727**
Fair value loss recognised in profit or loss	**(10,696)**
Exchange realignment	**(15,312)**
At 31 December	**172,719**

2021	Investment properties – Shopping mall (note 15) HK$'000
At 1 January	207,390
Fair value loss recognised in profit or loss	(14,103)
Exchange realignment	5,440
At 31 December	198,727

All the gains or loss recognised in profit or loss for the years arise from the fair value loss on investment properties held at the end of each reporting period.

40. FINANCIAL INSTRUMENTS *(Continued)*

(III) Fair value measurements *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

For level 3 fair value measurements, the Group has engaged external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value	
					2022 HK$'000	2021 HK$'000
Shopping mall – the PRC	Direct comparison approach	Asking discount	5% (2021: 5%)	Decrease (2021: Decrease)	**172,719**	198,727
		Floor discount	10% to 55% (2021: 10% to 55%)	Decrease (2021: Decrease)		

For the shopping mall in the PRC for the years ended 31 December 2022 and 2021, the valuation was based on direct comparison approach which largely involves recent selling prices and taking into account of several unobservable inputs (e.g. asking discount, condition discount, size discount, and existing tenancy discount etc.).

41. EVENTS AFTER THE REPORTING PERIOD

On 22 February 2023, Chengdu Zhongfa has received a court notice and enforcement judgement. Pursuant to the court notice and enforcement judgement, Chengdu Zhongfa failed to perform their obligations under the judgement, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa's real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao. Up to the date of this report, the litigation is still in progress.

Particulars of Major Properties Held

A. Projects under development and planning held by Group

Name of Property	Location	TypeType	Percentage	Approximate GFA (sq.m)	Approximate site area (sq.m)	Stage of completion	Anticipated completion date
1. Xiangtan Project (Phase I)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC	Residential	100%	201,873	92,665	Preparing to completion	Zone C: June 2023 Zone D: 2024
2. Xiangtan Project (Phase II)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC and the east of Tanzhou Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province	Residential	100%	703,954	264,838	Under Planning	To be determined

B. Property held for investment by the Group

Name of Property	Location	Type	Percentage	Approximate GFA (sq.m)	Lease Term
Shopping mall-the PRC	No. 19 Yongling Road, Jinnu District, Chengdu City, Sichunan Province, the PRC	Retail	100%	30,742	Long term

Five Year Financial Summary

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Continuing operations					
Revenue	**17,186**	18,327	80,466	39,919	79,835
Loss before income tax	**(507,602)**	(548,756)	(602,575)	(291,357)	(352,842)
Income tax credit (expense)	**1,650**	11,394	5,386	1,653	(634)
Loss for the year from continuing operations	**(505,952)**	(537,362)	(597,189)	(289,704)	(353,476)
Profit (Loss) for the year from discontinued operations	**–**	–	–	754	(579)
Loss for the year attributable to owners of the Company	**(505,952)**	(537,362)	(597,189)	(289,950)	(354,055)

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**3,338,245**	3,743,062	3,128,554	2,806,079	2,637,551
Total liabilities	**(4,227,299)**	(4,116,455)	(3,002,025)	(2,108,442)	(1,632,596)
Equity attributable to owners of the Company	**(889,054)**	(373,393)	126,529	697,637	1,004,955