ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 1064

ANNUAL REPORT 2022

Tribute to Hong Kong Reunion 25th Anniversary 1997-2023

Manufacturer:	**Vacheron Constantin, Geneva, Switzerland**
Model No:	**48094**
Metal:	**18K Yellow Gold**
Movement:	**Cal. 1130 9” Self-Winding Automatic Movement**
Dial:	**Off-White with Chinese Characters**
Bracket:	**Black Original Alligator Strap**
Year of Manufacture:	**1997**
Limited Edition No:	**2/197**

A Collection of the Group

Contents

Drawings appeared in this report are computerized imaging artworks and do not associate with the Group's existing or potential property development projects.

Corporate Information

BOARD OF DIRECTORS

Executive Director

Ho Kam Hung

Non-Executive Director

Young Kwok Sui

Independent Non-Executive Directors

Wong Kui Fai
Wong Miu Ting, Ivy
Tam Kong, Lawrence

COMPANY SECRETARY

Chun Wai Yin (ACG, HKACG)

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre
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Central
Hong Kong

PRINCIPAL OFFICE IN MAINLAND CHINA

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Chiaodong Road
Chiaotianmen
Chongqing

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong Law
ReedSmith Richards Butler LLP
Taikoo Place
17th Floor One Island East
18 Westlands Road
Quarry Bay
Hong Kong

As to Bermuda Law
Conyers Dill & Pearman
29th Floor One Exchange Square
8 Connaught Place
Central
Hong Kong

PROPERTY VALUERS

Savills Valuation and Professional Services (China) Limited
12th Floor Cityplaza One
1111 King's Road
Taikoo Shing
Hong Kong

Vigers Appraisal and Consulting Limited
27th Floor Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17 th Floor Far East Finance Centre
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Admiralty
Hong Kong

COMPANY WEBSITE

www.zhonghuagroup.com

LISTING AND STOCK CODE

The Main Board of The Stock Exchange of Hong Kong Limited: 1064

FINANCIAL REVIEW

Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of HK$30,283,000 (2021: HK$57,670,000) for the year ended 31 December 2022. Net profit attributable to ordinary equity holders of the Company for the year was HK$3,273,000 (2021: HK$6,811,000). The decrease of the Group's turnover during the year was as a result of no sales of properties held for sale took place current year while sale of properties of HK$27,461,000 transacted last year.

Adjusted EBITDA

The Adjusted EBITDA of the Group for the year ended 31 December 2022 was profit of HK$7,447,000 (2021: HK$29,301,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes of fair value of investment properties.

Net Profit

The profit of the Group before and after tax for the year ended 31 December 2022 were HK$54,950,000 (2021: HK$59,109,000) and HK$34,050,000 (2021: HK$30,981,000), respectively. The decrease of the Group's profit before tax during the year was attributable to (i) decrease in the Group's turnover during the year as a result of no property sales transaction was made current year while sales of properties of HK$27,461,000 were recorded last year; and (ii) a fair value gain of the Group's investment properties of HK$50,692,000 for current year as compared with a fair value gain of the Group's investment properties of HK$33,638,000 for last year.

Liquidity and Financial Resources

During the year, the Group's operations were financed mainly by cash flows generated from business operations and borrowings. The Group's net cash flows from operating activities during the year were HK$26,456,000 (2021: HK$22,442,000).

As at 31 December 2022, the Group had cash and bank balances of HK$84,874,000 (2021: HK$93,204,000).

As at 31 December 2022, the Group had outstanding borrowings of HK$72,297,000 (2021: HK$79,359,000) representing a loan from a director as compared with a loan from a director of HK$78,056,000 and lease liability of HK$1,303,000 as at 31 December 2021. The lease liability of HK$1,303,000 as at 31 December 2021 was payable within one year according to the lease terms and denominated in Hong Kong dollars. The Group's exposure to interest rate fluctuation was minimal in the past years.

The Group's gearing ratio was 0.02 as at 31 December 2022 (2021: 0.02), calculated based on the Group's loan from a director of HK$72,297,000 (2021: loan from a director and lease liability with an aggregate amount of HK$79,359,000) over total assets of HK$4,415,959,000 (2021: HK$4,727,091,000). The Group maintained a relatively low gearing ratio in the past years. The Group's financial resources are able to meet its capital expenditure and working capital requirements for coming twelve months from the date of this report.

Assets

As at 31 December 2022, the Group's net current assets, net assets and total assets amounted to HK$1,034,000 (2021: HK$7,399,000), HK$3,021,523,000 (2021: HK$3,223,376,000) and HK$4,415,959,000 (2021: HK$4,727,091,000), respectively.

The Group had two investment properties, one in Chongqing (重慶市) and the other one in Guangzhou (廣州市), both situated in Mainland China. The investment property in Chongqing, which the Group had 100% interest, had carrying amount of HK$386,912,000 (2021: HK$425,414,000) as at 31 December 2022. The investment property in Guangzhou, which the Group had 25% interest, had carrying amount of HK$3,887,200,000 (2021: HK$4,135,800,000) as at 31 December 2022.

As at 31 December 2022, the Group also had properties held for sale with book cost of HK$29,315,000 (2021: HK$32,262,000) situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou, Mainland China.

Exchange Rate Risk

The Group's principal operations are located in Mainland China while the financial statements of these operating subsidiaries are reported in Renminbi ("RMB"). The Company may expose to exchange rate risk when transactions and financial statements of these operating subsidiaries reported in RMB are consolidated to the Company's consolidated financial statements which are reported in Hong Kong dollars. The Group did not take measures such as execution of forward hedging or exchange swap instruments to hedge the potential impact arising from adverse currency fluctuation between RMB and Hong Kong dollars in the past years. Given the exchange rates between RMB and Hong Kong dollars were not fluctuated vigorously from time to time in the past years, the Group could reasonably assess the trend of exchange rates between the two currencies in order to reduce its adverse impact to the Company's consolidated financial statements as far as practicable.

Grant of Share Options

On 2 December 2022, it was announced (the "Share Option Announcement") that the Company granted 60 million share options to 12 grantees at an exercise price of HK$0.09 per share pursuant to the terms of the Company's share option scheme adopted on 19 December 2012 (the "Share Option Scheme"). 55 million share options were exercised prior to 31 December 2022 raising a gross proceed of HK$4.95 million (before expenses) and 55 million new shares were issued and allotted to the option holders on 9 January 2023. Further details of the share option grant were disclosed in the Share Option Announcement.

The Share Option Scheme was lapsed on 19 December 2022 but 5,000,000 share options granted under the Share Option Scheme would remain exercisable pursuant to the terms of the said scheme.

FUND RAISING ACTIVITIES

On 15 April 2020, it was announced (the "New Issue Announcement") that the Company entered into a subscription agreement (the "Subscription Agreement") with Link Tide Investments Limited, a private company incorporated in the British Virgin Islands and an independent third party, in respect of subscription and issue of 108,000,000 new shares in the capital of the Company at an issue price of HK$0.15 per share pursuant to the Company's general mandate granted on 18 June 2019 (the "New Issue"). All conditions precedent as set out in the Subscription Agreement were satisfied and the New Issue was completed on 27 April 2020. Further details of the New Issue were disclosed in the New Issue Announcement.

The net proceeds raised from the New Issue applied up to 31 December 2022 are as follows:

Intended use of the net proceeds as stated in the New Issue Announcement			Proceeds utilised as at 31 December 2022	Proceeds unutilised as at 31 December 2022	
Category	**Net amount** *(HK$ in million)*	**Percentage**	**Net amount** *(HK$ in million)*	**Remaining amount** *(HK$ in million)*	**Expected schedule of use**
Re-development costs of re-development project in Guangzhou, Mainland China	12.0	74.5%	–	12.0	On or before 31 December 2023
General working capital	4.1	25.5%	4.1	–	–
Total	**16.1**	**100%**	**4.1**	**12.0**	

The Group held the unutilised net proceeds in short-term deposits with banks as at 31 December 2022.

FINAL DIVIDEND

The board of directors of the Company (the "Directors") did not recommend the payment of a final dividend for the year ended 31 December 2022.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management businesses in Mainland China and have two major property interests, one in Chongqing (重慶市) and the other one in Guangzhou (廣州市).

Guang Yu Square in Chongqing

The Group's property interest in Chongqing is situated at Chaotinmen, Yuzhong District, Chongqing (重慶市渝中區朝天門). With a history of over five centuries and situated in the northeast of Yuzhong District and at the delta of Yangtze River (長江) and Jianing River (嘉寧江), Chaotinmen is the most prominent port in Chongqing for transporting goods and passengers to and from the Three Gorges (三峽). Guang Yu Square (港渝廣場) is located at the junction of Chao Dong Road (朝東路) and Shanxi Sixth Lane (陝西六巷) in Chaotinmen which is within walking distance of about 15 minutes to the Port of the Three Gorges (三峽碼頭) and walking distance of about 20 minutes to Jiafangbei (解放碑), the most prime shopping area in Chongqing as well as with walking distance of about 5 minutes to Raffles City Chongqing (重慶來福仕廣場), the newly developed and most spectacular commercial landmark in Chongqing, and within walking distance of about 10 minutes to Chaotinmen Square (朝天門廣場), which is one of the most famous sightseeing points in Chongqing.

Guang Yu Square is a 15-storey commercial building with a total gross floor area of about 49,400 square metres, out of which the Group owns portion of Basement, Levels 1 to 4, Levels 8, 11 and 14 with total gross floor area of about 24,400 square metres. The property, which has been fully refurbished in 2016, is presently a multi-floor shopping mall focusing in wholesale and retailing of men's wear and footwear. There are about 50-70 shops per level with shop area ranging from 20–60 square metres per shop. Most shops are leased to unsolicited third parties for a term of about one year extended automatically in accordance with prevailing market rental. The shopping mall (the floors owned by the Group) is almost fully occupied and shop turnover rate is maintained at a relatively low level. Given Chaotinmen has been one of the major clothing distribution points in Chongqing for nearby cities and the Three Gorges region (三峽地區) for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

Amid the COVID-19 pandemic remained under control in Chongqing at most of the times in 2022, the business operation of Guang Yu Square resumed usual and normal during the year except for temporary shutdown when outbreaks of COVID-19 driven by Omicron variant surged in late half of 2022. To relieve the impact of temporary shutdown, the operator increased marketing momentum by organising crazy sale and lucky draw events for its tenants and customers. Rental revenue hence was not materially affected during the year as most leases for 2022 were committed in late December 2021.

The Re-development Project in Guangzhou

The Group's property interest in Guangzhou is situated at Yuexiu District, Guangzhou (廣州市越秀區). The re-development site, previously named as Metropolis Shoes City (廣州大都市鞋城) is located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里) in Yuexiu District which is within walking distance of about 3 minutes to the Old Hall (舊館) of the Canton Fair (廣州交易會), which was once the only export window in Mainland China before its Reform and Open Door Policy (改革開放政策) implemented in 1978 and within walking distance of about 5 minutes to the riverbank of Pearl River (珠江), the icon of Guangzhou.

The Metropolis Shoes City (before operation ceased in August 2019) was a 2-storey non-permanent building with gross floor area of about 14,700 square metres and about 500 shops. With a history of over one century for footwear wholesale business in the region, the Metropolis Shoes City was regarded as the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The Metropolis Shoes City ceased operation in August 2019 for re-development purpose. The Yuexiu District People's Government (越秀區人民政府) (the "Yuexiu Government") expressed that they would use their best endeavors to support the Group's re-development plan.

As to-date, except for one block of building remained not yet surrendered (尚未完成拆遷) and a few shops next to the premise continued to operate business as usual, the Metropolis Shoes City was demolished and the re-development site was leased to a third party for licensed carpark operation.

Pending to the surrender of the last block of a 7-storey building being occupied by an individual owner (小業主), the re-development project is intended to be developed into a 22-storey versatile grade A commercial building complex with twin towers and 3-level of basement for wholesale and exhibition hall facilities, office and service apartment uses with ancillary facilities such as carpark and loading/unloading bays with total gross floor area of about 234,000 square metres. It is also planned that the basement of the new building complex will be linked via subway to two metro stations, namely Yide Lu Station (一德路站) and Haizhou Square Station (海珠廣場站).

In early 2021, the State Council re-launched new urban policy directive to encourage re-mapping of commercial zone to residential zone in first-tier cities with an objective of decreasing the over-supply of commercial properties (due to the boom of e-commerce) as well as increasing the supply of residential properties in the market. The Group carried out preliminary feasibility study on this new policy and expected that the investment return of the new development project would be significantly improved if in case part of the re-development could be modified from service apartment to residential property. The Group was confident that the re-mapping policy would be on agenda soon once the consolidation of property development market nationwide was on track.

The property market crisis emerged in late 2021 blew up the property market boom nationwide and its impact remained unrelieved and unavoidably hit the property market sentiment in Guangzhou during the year. Nevertheless, GZ Zheng Da's re-development plan remained on track as it required very limited capital resources at its planning stage.

According to the latest construction schedule (assuming construction commences in the first quarter of 2024), it is expected that the re-development project will take about four years and be completed by two phases, the first of which will be completed in late 2026 and the second stage will be completed in first quarter of 2028. Subject to the grant of inspection and safety permits by the relevant regulatory authorities, it is expected that the new commercial complex will commence business and generate rental revenue to the Group at its earliest in early 2027.

The re-development project will be constructed with a budgeted cost of about RMB1,700 million (HK$1,921 million), of which the Group and the Vendors (as defined in the section headed "Material Acquisition" under the heading of "Further Information" below) will bear 25% and 75% of the total costs, respectively (assumed on the basis that the Group held 25% interest in the re-development project as to-date). Further details of the equity holding (including the Vendors) are disclosed in the section headed "Material Acquisition Update" below. It is intended that the construction costs will be financed by bank borrowings (with pledge of the Group's property assets), project financing, equity financing and new funds of potential investors. In certain circumstances the potential contractors and building materials suppliers will advance working capital to the re-development project, which is a common industry practice in Mainland China.

Notwithstanding the re-development project in Guangzhou ceased to contribute significant revenue to the Group in coming years, it is expected that it will continue to generate rental income from a few remaining units not yet demolished and temporarily carpark until the construction work commences.

The subject asset will remain as an investment property under Hong Kong Accounting Standard 40 – *Investment Property* and be measured at its fair value with changes in fair value recognised in the Group's consolidated financial statements for subsequent financial years. It is expected that the new commercial complex will be held for earning rental and capital appreciation purposes upon completion.

Shareholders are advised to read the sections headed "Group Structure of GZ Zheng Da", "Alleged 'Liquidation Petition' Against GZ Zheng Da", "Management's Representation", "The Claim Dismissal Order" and "Background of Material Litigations" as disclosed under a separate heading of "Further Information" below. These sections refer to the background information of and certain legal issues about 廣州正大房地產開發有限公司(Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") and Zheng Da Real Estate Development Company Limited ("HK Zheng Da"). GZ Zheng Da is the project company of the re-development site and wholly-owned by HK Zheng Da. Both companies are subsidiaries of the Group.

Properties Held for Sale

The Group had a portfolio of about 190 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 11,000 square metres. These residential units were constructed in late 1990s for the purpose of interim resettlement of occupiers who surrendered their units to GZ Zheng Da for demolition of the re-development site in Yuexiu District but remained vacant or available-for-sale as at to-date. The intended property sale campaign was halted during the year because of sudden outbreak of COVID-19 driven by Omicron variant surged in Guangzhou in third quarter of 2022.

These properties represent five clusters of residential units situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou with convenient traffic access. Given all these units were completed for more than two decades, they are subject to refurbishment before launch for sale in the market. It is expected that these units will be well perceived by the first-time home buyers once they regain confidence in property investment.

MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition, details of which are disclosed in the section headed "Material Acquisition" under the heading of "Further Information" below. Below is the latest development of the Acquisition (as defined in the section below) since 29 March 2022, the approval date of the Company's annual report for the year ended 31 December 2021.

In June 2022, the Group and the related vendors executed an extension agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the Acquisition of the remaining 75% indirect interest in HK Zheng Da not later than the revised long stop date which was further deferred to 30 June 2023. If a revised agreement is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds.

If in case the Acquisition lapses on 30 June 2023, no party shall be liable to each other. If this happens, the Group will no longer have control over HK Zheng Da and its subsidiary and there will be a major change of accounting treatment to the effect that HK Zheng Da will be regarded as an associated company with a 25% equity interest but not a 25%-owned subsidiary in the consolidated financial statements of the Company for the year ending 31 December 2023. Further announcement will be made once a concrete decision is made by the Company.

LIQUIDATION DISMISSAL ORDER UPDATE

In May 2021, GZ Zheng Da received a written judgement (民事裁定書) from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court"). The written judgement granted an order to the effect that a compulsory liquidation petition (the "Alleged Liquidation Petition") pleaded by 廣州市越秀房地產開發經營有限公司 ("越房私企") (a third party which is neither a shareholder nor creditor of GZ Zheng Da) was turned down (駁回強制清算申請裁定) (the "Liquidation Dismissal Order (清算駁回裁定)") based on the grounds that "the two co-operative partners of GZ Zheng Da had major disputes on company dissolution or not, major assets and equity interest matters while such disputes had remained not yet on trial or arbitrated for affirmation at the court (雙方股東對於廣州正大是否發生解散事由、公司主要財產以及公司股東股權尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

In the Liquidation Dismissal Order, the Guangzhou Court ascertained that GZ Zheng Da remained "in operation (在業)" and that HK Zheng Da had 100% equity interest in GZ Zheng Da.

The Liquidation Dismissal Order was the first court paper in relation to the Alleged Liquidation Petition that GZ Zheng Da had ever received from the Guangzhou Court, which was over 10 years from the alleged plead made by 越房私企 in 2009. The Company was pleased to acknowledge receipt of the Liquidation Dismissal Order ruling that 越房私企 did not possess the prerequisites for pleading a liquidation petition against GZ Zheng Da.

The Company perceives that the Liquidation Dismissal Order casts out the legal uncertainties of GZ Zheng Da which have hampered its operation for about a decade and will expedite the re-development plan of GZ Zheng Da.

越房私企 submitted an appeal to the Liquidation Dismissal Order (the "Dismissal Order Appeal") in late May 2021 as permissible by law. The Dismissal Order Appeal was heard in January 2022 but ruling was not yet made up to the date of this report.

Taking into account the facts and legal grounds substantiated in the Liquidation Dismissal Order and the opinion given by PRC legal counsel and advisers, the Company remains optimistic in obtaining a favourable judgement in the Dismissal Order Appeal.

MATERIAL LITIGATION UPDATE

Background and developments of the following litigation cases in the past years (up to 31 December 2021) are disclosed in the section headed "Background of Material Litigations" set out in the heading of "Further Information" below. Terms used below shall adopt the same meanings as defined in the above section unless otherwise specified. Latest developments of the subject litigation cases for the year ended 31 December 2022 and up to the date of this report are summarised as follows:

(a) Reference is made to a writ of summons served by GZ Zheng Da against 越房私企 at the Guangdong Provincial Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") in December 2008 pleading, inter alia, for endorsement of disqualification of 越房私企 as a partner of the underlying Sinoforeign co-operative joint venture.

The case did not have progress up to the date of this report.

Taking into account the rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Zheng Da Appeal (as defined below) in October 2009, and the opinion given by the PRC legal counsel and advisers, the Company remains optimistic in obtaining a favourable judgement in the Zheng Da Appeal.

(b) Reference is made to the Compensation Rulings (as defined below) granted by the former Guangzhou Administration of Natural Resources and Property Bureau (前廣州市國土資源和房屋管理局) (the "Former Property Bureau") to GZ Zheng Da in 2013 pertaining to two resettlement and compensation cases for property demolition (房屋拆遷補償安置個案) took place during the period from 1994 to 2003.

The case did not have progress up to the date of this report.

Taking into account the facts and legal grounds substantiated, and the opinion given by the PRC legal counsel and advisers, the Company remains optimistic in obtaining a favourable judgement in the Settlement Appeal (as defined below).

OUTLOOK

Following the "Full Scale Resumption to Normal (全面復常)" policies implemented in Mainland China and Hong Kong in early March 2023, all restrictions from free cross border travelling between Mainland China and Hong Kong as well as travel aboard have been lifted. It appears that COVID-19 is no longer a public health threat and most business sectors and social activities resume normal gradually in Mainland China and Hong Kong. Latest economic indicators affirmed that the economy in both regions bounced back strongly with persistent momentum. The Directors are pleased to welcome this vibrant economic opportunity.

Following the reshuffle of the State Council, the new administration of Chinese Central Government is expected to make an all-out effort to achieve its economic growth target of "around 5 percent" for 2023 but its economy will continue to contend with a raft of hurdles and potential impediments to that goal. Disturbances stemming from a protracted Russia-Ukraine war, lingering tensions with Washington Administration and its allies, potential financial crisis in US and Europe subsequent to the collapse of Silicon Valley Bank and Credit Suisse, and record high inflation rates in Western nations are factors that will drag the economic growth of China this year. On the other hand, the global money market generally perceives that the US Federal Reserve's interest rate hike will reach its peak in third quarter this year and this expectation may cool down the strong US dollar trend which may also stabilise RMB exchange rate.

Being embraced by the increasingly turbulent and chaotic external environment and combatting the above challenges, Li Qiang (李強), the new Chinese Prime Minister, expressed at the Two Sessions (兩會) recently that a substantial recovery would be the top priority on the economic agenda and further reassured entrepreneurs that the government would consistently support the private sector through "keep opening up (保持開放)". Prime Minister Li also indicated that the administration would adopt four strategies (組合拳), namely macro policies (宏觀政策), booming demand (擴大需求), modification and innovation (改革創新), and risk management (防範化解風險) to regulate the nationwide economic activities with cautious and prompt response to potential crisis. With these strategies adopted and modified from time to time, the Directors are cautiously optimistic to the stability and prosperity of China economy this year.

As the real estate sector has been reiterated as the "pillar of the national economy (國家經濟支柱)", it is perceived that favorable policies and relaxing guidelines will be continuously launched to ease the confidence crisis of nationwide property market. It is expected that the property development market in Mainland China will not prosper until and when the capital supply in this sector is refueled and it will take time for market recovery and confidence regain by investors and end-users. In the medium term, the property development market in Mainland China will be on fast track again once consolidation is achieved under the supervision of the Chinese Central Government.

The Key Speech (重要講話) presented by Xi Jinping (習近平), the newly re-elected Chinese President, at the Two Sessions (兩會) recently emphasised that "Building strong nation must be with reliance on long term prosperity and stability of Hong Kong and Macau (推進強國建設離不開香港、澳門長期繁榮穩定)" and "Move forward "One Country Two Systems" implementation with firm trust (紮實推進"一國兩制"實踐)". The Directors fully support the Central Committee of Chinese Communist Party, under the leadership of Xi Jinping (習近平), to building a modernized strong nation with Chinese socialist character (建設具中國社會主義特色的現代化強國) as well as "The Hong Kong Administration to govern in accordance with the Basic Law" (全力支持香港特區政府依法施政).

Hong Kong celebrated the 25th anniversary of Promulgation of Basic Law (基本法頒佈廿五週年誌慶) in 2022. The Directors wish Hong Kong moving on and prospering in the longer term (行穩致遠).

Looking ahead, 2023 remains a tough year but the Directors are optimistic about the economic bounce back in Mainland China and Hong Kong in second quarter of the year.

Meantime, the Group will proactively explore other income sources and new business projects in Guangzhou in order to compensate the revenue forgone due to the closure of the wholesale mall since 2019.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2022, the Group had about 30 (2021: 30) employees. Total staff costs (including directors' remuneration) for the year under review amounted to HK$8,280,000 (2021: HK$7,967,000).

Remuneration policies are reviewed regularly by the Remuneration Committee and the Directors in respect of remuneration of the Directors and senior management. The Group values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees by offering competitive compensation packages comparable to market benchmark. Further information about the Group's human resources policies are disclosed in the "Environmental, Social and Governance Report" below.

ANNUAL GENERAL MEETING

It is scheduled that the forthcoming annual general meeting of the Company will be held on Tuesday, 13 June, 2023.

Notice of annual general meeting of the Company and related circular to shareholders will be sent to the shareholders of the Company under separate cover.

The following sections provide (i) background information of and related legal issues about GZ Zheng Da; (ii) the representation to the legal issues of GZ Zheng Da made by the management of the Group (the "Management"); (iii) background information about the Acquisition; and (iv) background information of material litigations of the Group up to 31 December 2021. Information herein are generally extracted from the Company's annual report for the year ended 31 December 2021 with relevant amendments and update for clarification purpose.

GROUP STRUCTURE OF GZ ZHENG DA

The property interest in Guangzhou is wholly owned by GZ Zheng Da which in turn HK Zheng Da, a private company incorporated in Hong Kong, has 100% equity interest.

GZ Zheng Da was set up as a Sino-foreign co-operative joint venture (中外合作經營企業) by Shun Fat Group Limited ("Shun Fat"), a private company incorporated in Hong Kong, as the foreign partner and 廣州市越秀房地產開發經營公司("越秀國企"), a state-owned enterprise under the control of the Yuexiu Government, pursuant to a Sino-foreign co-operative joint venture agreement executed in December 1993. The investment budget and registered capital of GZ Zheng Da were RMB450 million and RMB150 million, respectively.

Since its establishment, 越秀國企:

(i) did not contribute any capital in GZ Zheng Da;

(ii) did not provide any fund advance to GZ Zheng Da;

(iii) did not provide or inject any land use rights or properties into GZ Zheng Da;

(iv) did not assume any liability of or provide any guarantee to GZ Zheng Da; and

(v) did not provide management support to GZ Zheng Da to a material extent.

As such, Shun Fat and 越秀國企 entered into the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) in 1994 to the effect that 越秀國企 irrevocably agreed to surrender all its interest in, benefits, profits, rights and liabilities of GZ Zheng Da except for receiving a management fee of RMB50,000 per month up to an aggregate amount of RMB10 million and a bonus of RMB38 million payable by four installments from the commencement of pre-sale of the underlying properties. In return, Shun Fat (or HK Zheng Da which took up Shun Fat's entire interest therein later) had to bear all capital and investment costs as well as liabilities and business risks of GZ Zheng Da. As at 31 December 2021, the management fees in an aggregate amount of RMB10 million had been paid to 越秀國企 while the bonus of RMB38 million was not yet paid as pre-sale of the underlying properties not yet commenced.

Shun Fat fully contributed RMB150 million as registered capital of GZ Zheng Da in 1996.

In 1997, as part of the pre-IPO restructuring scheme, Shun Fat, HK Zheng Da and 越秀國企 executed into a partnership transfer agreement to the effect that Shun Fat's entire interest in and rights of GZ Zheng Da were transferred to HK Zheng Da while the interests and rights of 越秀國企 in GZ Zheng Da remained unchanged. The subject partnership transfer was subsequently approved by Guangzhou Foreign Economic and Trade Commission (廣州市對外經濟貿易委員會) ("GZ Trade Commission"), the then governmental body which administered all Sino-foreign joint venture matters in Guangzhou. Shareholders of Shun Fat were same parties as those of HK Zheng Da.

GZ Zheng Da commenced the demolition and resettlement (拆遷工程) in the prescribed area in the Yuexiu District with its own financial and management resources under the direction and supervision of the Yuexiu Government and in accordance with the relevant laws and regulations of People's Republic of China (the "PRC"). In 1998, GZ Zheng Da acquired two parcels of land from the Guangzhou National Land Bureau (廣州市國土局) with full settlement of land use right premium. Pending for re-development into a commercial complex, a 2-storey non-permanent commercial podium and a carpark was erected on the re-development site for investment purpose until it was demolished in late 2019.

GZ Zheng Da's re-development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning (修訂市區規劃) by the Yuexiu Government from time to time in the past years. As to-date, demolition remained uncompleted as permitted by the Yuexiu Government.

The joint venture of GZ Zheng Da was supposed to be for a period of 15 years ended on 31 December 2008 but the joint venture period was permitted by law to be extended at the request of either Sino or foreign partner upon maturity. In May 2008, both HK Zheng Da and GZ Zheng Da resolved to extend the joint venture period by another 15 years till December 2023. Approval for such extension was granted by the Yuexiu Foreign Trade and Economic Bureau (越秀區對外貿易經濟合作局) in December 2008.

Contemporaneously, it appeared that another enterprise named 越房私企, a private enterprise which was assumed to have acquired certain assets from 越秀國企 in 2006, claimed that it took up the interest in GZ Zheng Da from 越秀國企 but that was not the case.

Pursuant to the prevailing co-operative joint venture laws in the PRC, change of partnership of a joint venture is subject to (i) first right of refusal of existing partner(s) to acquire the interest of the leaving partner; (ii) consent of remaining partner(s) to introducing new partner(s); and (iii) approval and acknowledgement of then governing authority. Similar clauses are prescribed in the related joint venture agreement of GZ Zheng Da.

Up to to-date, 越房私企 was unable to submit any legal evidence (in accordance with the prevailing PRC laws and regulations) to demonstrate its claim.

As such and in December 2008, GZ Zheng Da served a writ of summons against 越房私企 at the Yuexiu Court pleading for endorsement of disqualification of 越房私企 from the Sino partnership of the subject joint venture, details of which are elaborated in the section headed "Background of Material Litigations" below.

According to the official records maintained at the Guangzhou Administration for Industry and Commerce Bureau (廣州市工商行政管理局) (the "GZ Commerce Bureau") and GZ Trade Commission, the Sino partner of GZ Zheng Da remained as 越秀國企 but not 越房私企 and the capital contribution of HK Zheng Da and 越秀國企 were RMB150 million and nil, respectively, as to-date.

ALLEGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA

Corporate Information of GZ Zheng Da Indicates Information of Alleged "Liquidation Provisional Filed (清算備案)" ("Alleged Liquidation Provisional Filed")

Pursuant to the Provisional Rules of Public Notice of Corporate Information of the People's Republic of China (中華人民共和國企業信息公示暫行條例) newly enacted in October 2014, the Public Database of National Enterprise Credit Information (Guangdong) (全國企業信用信息公示系統 (廣東)) (the "Public Database") on GZ Zheng Da downloaded in March 2015 revealed certain newly appeared information under the Provisional Filing Information Column (備案信息欄目) viz "Liquidation Information (清算信息)", "Liquidation Officer-In-Charge He Wei (清算負責人何偉)" and "Member of Liquidation Group Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)".

With effect from August 2016, the Public Database was restructured as the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) with a more user friendly reporting format. The report of GZ Zheng Da downloaded from the new system in February 2022 (the "Credit Report") contains similar information as disclosed in former reports including "Member of Liquidation Group Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)".

In addition, the Credit Report reveals that the registration status (登記狀態) of GZ Zheng Da is "Enterprise in Operation (in Business (在營(開業)企業))" and the authorised representative (法定代表人) is "Ho Kam Hung", who is also an executive Director.

According to the Corporate Registration Information Memorandum (企業登記資料包) obtained from the GZ Commerce Bureau by GZ Zheng Da (being exclusive information to the subject corporation), a third party namely Guangdong Guoding Law Firm (廣東國鼎律師事務所) ("Guoding") filed an Application Form for Notification of Change (Provisional Filing) of Foreign Investment Enterprise (外商投資企業變更(備案)登記申請書) (the "Application Form"), together with a copy of purported order of the Guangzhou Court (廣東省廣州市中級人民法院決定書) (the "Purported Court Order") as supporting document, to the GZ Commerce Bureau without the prior acknowledgment nor consent of GZ Zheng Da in September 2011.

The Application Form requested for filing of "Provisional Filing of Member of the Liquidation Group (清算組成員備案)" and "Provisional Filing of Liquidation Officer-In-Charge (清算負責人備案)" in the corporate information database of GZ Zheng Da at the GZ Commerce Bureau. Copy of the Purported Court Order stated that "the court has appointed Guoding as the liquidation group (the "Alleged Liquidator") to proceed with the liquidation of GZ Zheng Da in accordance with the law (已指定國鼎組成清算組, 依法對廣州正大進行清算)".

According to the relevant provisions of the Rules of Administration of Company Registration of the People's Republic of China (中華人民共和國公司登記管理條例) (the "Company Registration Rules"), the provisional filing of liquidation information with the GZ Commerce Bureau requires the consent of the subject company (with company chop shown on the application form) and other requisite legal documents, such as company dissolution documents (公司解散證明文件) and compulsory liquidation order granted by the People's Court (人民法院強制清算決定書), as supporting documents. No such supporting documents nor GZ Zheng Da's company chop were found on the Application Form submitted by Guoding.

After taking PRC legal advice, both the Company and GZ Zheng Da considered that the Application Form submitted to the GZ Commerce Bureau by Guoding violated the relevant provisions of the Company Registration Rules to a material extent and the provisional filing under concern should be rendered "application declined (申請退回)" in accordance with the relevant regulations of the Company Registration Rules.

GZ Zheng Da confirmed to the Company that it had never authorised, appointed or instructed Guoding or He Wei to file or handle such application, nor granted consent to such application thereafter.

GZ Zheng Da and HK Zheng Da, being holding 100% equity interest of GZ Zheng Da, also confirmed to the Company that they had never been served any statements of instigation of proceedings, notice of summons or notice of judgement, orders (including the Purported Court Order or order of a similar nature) or written judgement(s) in relation to the Alleged Liquidation Petition from the Guangzhou Court in accordance with the prevailing PRC laws and regulations and due judicial procedures.

Both the Company and GZ Zheng Da further confirmed that they were unable to find any "public official record" about the Alleged Liquidation Petition (not even the relevant case number) from the official database or public notice board of the Guangzhou Court so far.

According to the Purported Court Order, it appeared that the liquidation petition was instituted by 越房私企, a third party neither had any equity or any other interests in GZ Zheng Da nor was a creditor of GZ Zheng Da. Hence, the PRC legal counsel of GZ Zheng Da considered that 越房私企 was unlikely to meet the pre-requisite conditions for filing a liquidation petition against GZ Zheng Da pursuant to the prevailing PRC company laws and liquidation procedures.

Based on the record and facts known to the Company and GZ Zheng Da, and having taken the PRC legal advice, both the Company and GZ Zheng Da are of the view that:

(i) the legal proceedings of the Alleged Liquidation Petition (if any) do not conform to the legal provisions and judicial procedures in the PRC;

(ii) the Purported Court Order (if any) is not an effective disposition of the matter to which it purportedly relates and thus is invalid and void;

(iii) the purported authority of the Alleged Liquidator is derived from the Purported Court Order which is invalid and void; and

(iv) Guoding does not have the lawful authority to proceed with liquidation of GZ Zheng Da or file corporate information about GZ Zheng Da with the GZ Commerce Bureau (or for any other purposes) for and on behalf of GZ Zheng Da.

Further details about the lawful authority of the Alleged Liquidator in question were disclosed in the Company's announcement dated 23 March 2013.

Latest developments of the Alleged Liquidation Petition are disclosed in the section headed "Liquidation Dismissal Order Update" above.

The Second and Unqualified Person Appearing on the Demolition Permit and the Demolition Extension Notice

Since 2003, GZ Zheng Da had been granted by the Former Property Bureau the Qualified Person for Demolition and Relocation (合資質拆遷人) (the "Qualified Person") (which was required to demonstrate substantial capital resources, property development plan on hand, concrete property demolition and relocation plan pursuant to the provisions of Rules of Management of Urban Property Demolition and Relocation of Guangzhou (廣州市城市房屋拆遷管理條例) (the "Demolition Management Rules")) and the Qualified Contractor for Demolition and Relocation (合資質拆遷實施單位) (the "Qualified Contractor") (which was required to demonstrate substantial hands-on experience in property demolition and relocation projects and hiring extensive construction and engineering professionals pursuant to the provisions of the Demolition Management Rules) to the effect that GZ Zheng Da was empowered to demolish a property cluster located in the Yuexiu District within a period of about one year under the licence of a property demolition and relocation permit (房屋拆遷許可證) (the "Demolition Permit").

Since then, GZ Zheng Da applied for the extension of the Demolition Permit once every year and the Former Property Bureau customarily renewed the Demolition Permit and the notice of extension of property and relocation (房屋拆遷延期公告) (the "Demolition Extension Notice") every subsequent year.

The Demolition Extension Notices issued since 2014 contained new clauses which included, inter alia, the Alleged Liquidator as the secondary Qualified Person (第二拆遷人) and the secondary Qualified Contractor (第二拆遷實施單位) in addition to GZ Zheng Da which remained as the primary Qualified Person (第一拆遷人) and primary Qualified Contractor (第一拆遷實施單位). The Demolition Extension Notices also put a remark that "pursuant to the Purported Court Order, the Guangzhou Court nominated Guoding as the liquidation group to proceed with the liquidation of GZ Zheng Da in accordance with the laws, and the demolition activities should be executed by the liquidation group" (collectively the "New Clauses").

GZ Zheng Da confirmed to the Company that it had no knowledge of the New Clauses until the renewal of the said extension notices nor concurred with such New Clauses thereafter and hence raised objection to the Former Property Bureau about the imposition of the New Clauses. No formal reply had been obtained from the Former Property Bureau so far.

After seeking PRC legal advice, both the Company and GZ Zheng Da consider that:

(i) the Demolition Permits and the Demolition Extension Notices granted to GZ Zheng Da are legally valid permit and notice, respectively, despite their legal defects;

(ii) the Yuexiu Government, the Yuexiu Court, the Guangzhou Court and the Former Property Bureau all accept GZ Zheng Da as a separate legal entity as well as a qualified litigant (適格訴訟主體);

(iii) GZ Zheng Da remains as the Qualified Person and the Qualified Contractor and therefore is eligible to proceed the demolition and relocation activities as empowered by the Demolition Permit;

(iv) the purported authority of the Alleged Liquidator is derived from the Purported Court Order which is invalid and void (as elaborated in the section headed "Alleged Liquidation Provisional Filed" above);

(v) the capacity of the Alleged Liquidator does not exist until and when Guoding supersedes the legal representative of GZ Zheng Da;

(vi) the Alleged Liquidator technically cannot co-exist with GZ Zheng Da to engage in same business activities;

(vii) a liquidator is not empowered to engage in the businesses other than those specified under Clause 184 of Companies Law of People's Republic of China (中華人民共和國公司法), which does not include demolition and relocation businesses;

(viii) a liquidator does not possess the pre-requisite qualifications (特定資質) and hands-on expertise in demolition and relocation businesses as required under the provisions of the Demolition Management Rules; and

(ix) the Purported Court Order (without prejudice on its legality) fundamentally does not provide that "the demolition activities should be executed by the liquidation group".

Since 2014, both the Demolition Permit and the Demolition Extension Notice renewed every subsequent year, including the latest one renewed in December 2021, contained the New Clauses. GZ Zheng Da continued to proceed the demolition and relocation activities as usual.

A Purported Letter issued by the Alleged Liquidator

In June 2017, HK Zheng Da and one of its three directors received a notice (告知函) (the "Purported Letter") issued by the Alleged Liquidator albeit the operation of GZ Zheng Da remained as usual and normal when the Purported Letter was issued.

The Purported Letter, dated 16 June 2017, was issued by the Alleged Liquidator and the addressees were HK Zheng Da and 越房私企 (collectively the "Addressees"). 越房私企 was an independent third party to GZ Zheng Da and did not have any equity or other interest therein. HK Zheng Da and one of its three directors received the Purported Letter on or about 21 June 2017.

The Purported Letter was the first notice or letter that HK Zheng Da (holding 100% equity interest in GZ Zheng Da) so far received from the Alleged Liquidator, some six years from its alleged constitution in 2011.

The Purported Letter sought to convey, inter alia, the following messages (without prejudice on its validity) to the Addressees:

(i) the Alleged Liquidator was constituted under a mandate granted by the Guangzhou Court pertaining to a members' compulsory liquidation petition (apparently lodged by 越房私企);

(ii) the Alleged Liquidator was prepared to make submission to the Guangzhou Court for balloting the appointment of appraisal and auction agents to appraise and tender the assets of GZ Zheng Da for auction which include, inter alia, two parcels of land with an aggregate gross area of about 16,800 square metres and a 2-storey non-permanent commercial podium; and

(iii) the Addressees were urged to furnish any related information or proposal to the Alleged Liquidator within 15 days from the date of the Purported Letter.

According to then record downloaded from the official website of the GZ Commerce Bureau, the co-operative partners of GZ Zheng Da are HK Zheng Da and 越秀國企. Pursuant to the terms of relevant joint venture agreement (as revised) executed between HK Zheng Da and 越秀國企, HK Zheng Da held 100% attributable interest in GZ Zheng Da.

To the best knowledge and belief and having made all reasonable enquiries, the Company confirms that 越房私企:

(i) is not a registered Sino partner of GZ Zheng Da;

(ii) does not have any attributable interest in GZ Zheng Da; and

(iii) is not a creditor of GZ Zheng Da.

越房私企 is not 越秀國企.

Pursuant to the relevant provisions of the PRC laws and regulations, "the liquidation group shall finalise the liquidation within six months from the date of constitution in the case the liquidation is ordered by the People's Court (人民法院). If the liquidation is not yet finalised within six months under particular circumstances, the liquidation group shall apply for extension of its mandate at the People's Court." Hence, if the liquidation group is unable to finalise the liquidation within six months and the extension of mandate is not sought from the court, the liquidation group shall be dissolved by law.

The PRC legal counsel of HK Zheng Da noted that the Alleged Liquidator was unable to offer any evidence for the renewal of its mandate (without prejudice on its validity) in separate court proceedings at the Guangzhou Court in or about June 2017.

Further to the views expressed in the above sections, the PRC legal counsel of HK Zheng Da further opines as follows:

(i) the Alleged Liquidator does not possess a valid mandate to proceed with the liquidation of GZ Zheng Da nor to issue the Purported Letter; and

(ii) even if there were a renewal of the Alleged Liquidator's mandate, the Purported Letter is in itself ultra vires as it does not mention whether the liquidation proposal (清算方案) has been approved by co-operative partners (including HK Zheng Da), creditors or the court as required by the relevant PRC laws and liquidation procedures.

The Company acknowledges that HK Zheng Da, GZ Zheng Da and their respective directors have not received any further notice or letter from the Alleged Liquidator since June 2017.

THE CLAIM DISMISSAL ORDER

In December 2021, the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") issued a Certificate of Verdict Validity (裁判文書生效證明) confirming a written judgement (民事裁定書) pertaining to GZ Zheng Da and HK Zheng Da as defendants made by the court in June 2021 (the "Claim Dismissal Order (索償駁回裁定)") had become legally effective from 2 August 2021.

According to the Claim Dismissal Order, the Guangdong Court turned down all the pleads made by 越房私企 (a third party which is neither a shareholder nor creditor of GZ Zheng Da or HK Zheng Da) including but not limited to the following pleads:

i) requesting the court to affirm the Sino-foreign co-operative joint venture agreement executed between GZ Zheng Da and 越秀國企 in 1993 be expired and terminated on 31 December 2008;

ii) requesting the court to affirm all remaining assets of GZ Zheng Da (primarily two parcels of land situated in Yuexiu District, Guangzhou) be allocated to 越房私企 but not HK Zheng Da via liquidation procedures; and

iii) demanding HK Zheng Da to pay 越房私企 RMB450 million (equivalent to approximately HK$549 million as at 31 December 2021) as the possession fee of land use rights (土地使用權佔用費) owned by GZ Zheng Da for the period from 1 January 2009 up to 30 September 2017.

The ruling was made based on the grounds, in brief, that "the pleads constituted double jeopardy and were against the relevant provisions of the Companies Law of The People's Republic of China, and 越房私企 was not the owner of the land use rights of the subject land in dispute with any kinds of right and hence was not the qualified litigant (訴求構成雙重起訴，亦不符合《中華人民共和國公司法》相關規定，而越房私企並非涉案地塊土地使用權的所有權人因而不具起訴主體資格".

In the Claim Dismissal Order, the Guangdong Court ascertained that 越房私企 was not the owner of the subject land registered under the name of GZ Zheng Da with any kinds of right (土地所有權人), which included but not limited to right of possession, use, income or disposition.

The Claim Dismissal Order was the first court paper in relation to the subject case that GZ Zheng Da and HK Zheng Da had ever received from the Guangdong Court in accordance with the relevant PRC laws and due judicial procedures, which was more than three years from the pleads lodged at the court by 越房私企 in 2017. The Company was pleased to acknowledge receipt of the Claim Dismissal Order ruling that 越房私企 did not possess the prerequisites for pleading the aforesaid claims against GZ Zheng Da and HK Zheng Da.

MANAGEMENT'S REPRESENTATION

With reference to the above facts and developments of GZ Zheng Da and opinion given by the PRC legal counsel and advisers, the Company, HK Zheng Da and GZ Zheng Da represent as follows:

(i) the Sino partner of GZ Zheng Da remains as 越秀國企 per the record of the Credit Report to-date;

(ii) the joint venture period of GZ Zheng Da has been extended to another 15 years till 2023;

(iii) the registration status (登記狀態) of GZ Zheng Da disclosed in the Credit Report is "Enterprise in Operation (in Business) (在營(開業)企業)" as to-date and Ho Kam Hung has retained as the authorized representative (法定代表人) since its establishment in 1993;

(iv) the business of GZ Zheng Da remains usual and normal as to-date; and

(v) both HK Zheng Da and GZ Zheng Da have never been served any summons, notice or judgements pertaining to the Alleged Liquidation Petition by the People's Courts so far.

Despite of the above purported legal documents frustrating GZ Zheng Da for years, the Group aims to moving forward the re-development plan of GZ Zheng Da on schedule. The Yuexiu Government has expressed that they would use their best endeavours to support GZ Zheng Da's re-development project.

MATERIAL ACQUISITION

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2022 at an aggregate consideration of RMB1,361,100,000 (equivalent to HK$1,660,542,000 as at 31 December 2021). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 (the "Acquisition Circular") and the Company's various announcements issued thereafter, the latest of which was issued on 30 June 2021 (primarily refers to the deferment of the long stop date for completion of the acquisition from 30 June 2021 to 30 June 2022).

The Group entered into a conditional sale and purchase agreement in October 2007 (the "Acquisition Agreement") with the private companies wholly owned by Messrs. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung (collectively the "Vendors"), pursuant to which, amongst other things, the Vendors agreed to sell, and an indirectly wholly-owned subsidiary of the Company (the "Purchaser") agreed to acquire, 100% equity interest in HK Zheng Da at a consideration of RMB1,814,800,000 (equivalent to HK$2,214,056,000 as at 31 December 2021) (the "Acquisition"). The principal asset held by HK Zheng Da is, via GZ Zheng Da, the entire interest in a property interest situated in Guangzhou. Details of the Acquisition were set out in the Acquisition Circular. The Vendors are connected persons to the Company who collectively are a substantial shareholder of the Company.

As set out in the Acquisition Circular, completion of the Acquisition should have taken place in four tranches to be completed in different phases on terms as follows:

Tranches	**Equity interests in HK Zheng Da represented**	**Consideration for each tranche** (RMB)	**Original expected completion date**
First Tranche (the "First Tranche")	25%	453,700,000	31 December 2007
Second Tranche (the "Second Tranche")	26%	471,848,000	31 May 2008
Third Tranche (the "Third Tranche")	24%	435,552,000	31 October 2008
Fourth Tranche (the "Fourth Tranche")	25%	453,700,000	31 March 2009
	100%	1,814,800,000	

Pursuant to the terms and conditions of the Acquisition Agreement, the Purchaser could at its sole discretion elect to defer completion of one or more tranches (except the First Tranche) to a date later than the expected completion date of the relevant tranche as mentioned above. If the Purchaser did not complete any of the tranches on or before the relevant expected completion date, the Purchaser was obliged to pay to the Vendors a deferred interest payment (the "Deferred Interest") calculated at the rate of 4% p.a. on the consideration for such tranche for the period commencing from the relevant original expected completion date and ending on and excluding the day when the relevant consideration was settled by the Purchaser or 31 March 2009, whichever the earlier. In the event that the entire Acquisition Agreement did not complete by 31 March 2009 (the "Long Stop Date"), the Acquisition Agreement should lapse (save for any part of completed tranches) and the Purchaser should have no liabilities save for the Deferred Interest obligations.

Completion of the First Tranche took place on 17 December 2007. At 31 March 2009, the Second Tranche, the Third Tranche and the Fourth Tranche were not completed. As such, the Purchaser was obliged to pay to the Vendors the Deferred Interest of the Second Tranche and the Third Tranche, which was HK$25,837,000 in total. No Deferred Interest was required to be paid by the Purchaser in respect of the Fourth Tranche as the original expected completion date for the Fourth Tranche was on 31 March 2009. The Purchaser and the Vendors then executed supplementary agreements thereafter to the effect that the Long Stop Date was further deferred to 30 June 2022.

BACKGROUND OF MATERIAL LITIGATIONS

This section summarises the background and developments of material litigation cases of the Group up to 31 December 2021. Developments of these litigation cases thereafter are described in the section headed "Material Litigations Update" under the heading of "Management Discussion and Analysis" above.

(a) In December 2008, GZ Zheng Da, served a writ of summons against 越房私企 at the Yuexiu Court pleading, inter alia, for endorsement of disqualification of 越房私企 as a partner of the underlying Sino-foreign co-operative joint venture. HK Zheng Da, which held 100% interest in GZ Zheng Da, joined the plead as the second plaintiff later. Judgement was granted by the Yuexiu Court in July 2009 with rulings endorsing, inter alia, the plead requested by GZ Zheng Da.

In August 2009, 越房私企 filed an appeal petition (the "Zheng Da Appeal") at the Guangzhou Court. A hearing was made on 15 October 2009 and no further hearing had been made since then.

On 9 December 2009, the intended date of second hearing of the Zheng Da Appeal, both GZ Zheng Da and HK Zheng Da lodged an application for recusal (迴避呈請) of presiding judges of the subject case on prima facie unusual relationship of the said judges with the legal representative of 越房私企 (the "Recusal Application") prior to the commencement of court hearing. An official of the Guangzhou Court acknowledged receipt of the Recusal Application and no hearing or meeting in relation to the Zheng Da Appeal was convened on that date.

On 5 February 2010, the Company (but not GZ Zheng Da or HK Zheng Da) received from a third party a faxed copy (but not an original) of a document purporting to be a judgement dated 4 December 2009 (the "Purported Written Judgement") in which rulings in relation to the Zheng Da Appeal were made to the effect of (i) the rulings made by the Yuexiu Court was rescinded; and (ii) GZ Zheng Da's plead was withheld.

On 28 June 2010, a third party drew the Company's attention to, inter alia, the appearance on a specific website link which downloaded a document purporting to be a notice of service (公告送達) addressed to HK Zheng Da (but GZ Zheng Da being the first plaintiff not included) in relation to the Zheng Da Appeal (the "Purported Court Notice"). The Purported Court Notice, which was cited to be issued by the Guangzhou Court in June 2010 (but without a specific date), was supposed to effect, amongst other things, that (i) the judgement of the Zheng Da Appeal was made on 4 December 2009; and (ii) the rulings made by the Yuexiu Court were overturned; and (iii) the notice was deemed to be an original of written judgement being served to HK Zheng Da (but GZ Zheng Da not included). Original of the Purported Court Notice was supposed to be posted on the People's Court Daily (人民法院報) in the PRC on 23 June 2010.

However, the Company noticed that:

(i) there was no such Purported Court Notice found in the published copy of the People's Court Daily issued on or about 23 June 2010;

(ii) the aforesaid specific website posted a legal disclaimer that all information posed therein were for private reference purpose and should not be regarded as public notice with legal effect; and

(iii) despite searches of public databases of the relevant courts in the PRC, GZ Zheng Da, HK Zheng Da and an independent professional legal search firm commissioned by the Company were unable to find any official record of the Purported Court Notice issued by the relevant authority, or that the Purported Written Judgement was valid.

Both GZ Zheng Da, as the first plaintiff, and HK Zheng Da, as the second plaintiff, represent as follows:

(i) no written reply in respect of the Recusal Application (whether application acknowledged, accepted or declined) has been received from the Guangzhou Court so far despite repeated complaints were made since then;

(ii) no formal hearing in respect of the Zheng Da Appeal has been convened by the Guangzhou Court since 15 October 2009, the only date of hearing of the Zheng Da Appeal so far;

(iii) no valid notice of summons or of judgement in respect of the Zheng Da Appeal has been served by the Guangzhou Court since 15 October 2009; and

(iv) no valid written judgement in respect of the Zheng Da Appeal, which was issued in accordance with the relevant PRC laws and due judicial procedures, has been received from the Guangzhou Court directly.

Having taken competent advice from the PRC legal counsel and advisers, the Company is of the view that:

(i) the Purported Court Notice does not conform with the PRC legal provisions and differs materially from the form of a valid notice of service and thus does not constitute a valid notice to GZ Zheng Da and HK Zheng Da; and

(ii) the Purported Written Judgement is not an effective disposition of the matter and thus is invalid and void.

Since then, both GZ Zheng Da and HK Zheng Da had dialogues with the relevant court officials from time to time and have been looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Zheng Da Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures, but no such verdict or directive was received in proper manner up to 29 March 2022, the date of the Company's annual report for the year ended 31 December 2021 (the "Annual Report 2021").

Further details about the developments of, and events incidental to, the Zheng Da Appeal were disclosed in the Company's announcements dated 11 February 2010, 22 April 2010, 16 August 2010 and 23 March 2011.

(b) In October 2013, the Former Property Bureau issued two rulings on property demolition (房屋拆遷決定書) (the "Compensation Rulings") to GZ Zheng Da pertaining to two resettlement and compensation cases for property demolition (房屋拆遷補償安置個案). The Compensation Rulings concluded that GZ Zheng Da was liable to pay an one-off cash compensation in an aggregate amount of approximately RMB27,600,000 (the "Cash Compensation") to a group of nine claimants (the "Claimants").

In March 2014, the Guangzhou Municipal People's Government (廣州市人民政府) (the "Guangzhou Government") issued two rulings on administrative review (行政覆議決定書) revoking the Compensation Rulings. As a result, GZ Zheng Da's obligation to pay the Cash Compensation was discharged.

In June 2015, the Guangzhou Court issued two rulings on administrative proceedings (行政裁定書) declining the appeal made by the Claimants against the Guangzhou Government's rulings.

In December 2015, the Guangdong Court issued two rulings on administrative proceedings (行政裁定書) to the effect that (i) the Guangzhou Court's rulings were rescinded; and (ii) the Guangzhou Court was ordered to re-hear the Claimants' appeal against the Guangzhou Government's rulings.

In May 2017, the Guangzhou Railway & Transportation Intermediate Count (廣州鐵路運輸中級法院) (the "Railway Court"), which was primarily engaged in cases pertaining to land and property disputes and under the direction of the Guangdong Court, re-heard the case and declined the appeal lodged by the Claimants against the Guangzhou Government's rulings. The Claimants then filed another appeal against the Railway Court's rulings (the "Second Appeal").

The Second Appeal was subsequently set aside by the Claimants. Alternatively, at the request of the Claimants, the Guangzhou Municipal Urban and Rural Bureau of Construction (廣州市住房和城鄉建設局) (the "Urban Bureau of Construction") re-heard the cases and issued two revised rulings (the "Revised Compensation Rulings") in 2021. Pursuant to the Revised Compensation Rulings, it was ruled that, inter alis, GZ Zheng Da was liable to pay an one-off cash compensation in an aggregate amount of approximately RMB18,500,000 (equivalent to approximately HK$22,570,000 as at 31 December 2021) plus accrued interests to the Claimants.

In April 2021, the Claimants instituted a plead at the Railway Court against the Urban Bureau of Construction's rulings and demanded for higher interest rate for accrued interest computation. In July 2021, GZ Zheng Da served another writ of summons at the Railway Court pleading, inter alia, for rescission of the Revised Compensation Rulings and denial of the pleads made by the Claimants.

The Railway Court consolidated the two summons and made rulings in October 2021 declining all pleads raised by both GZ Zheng Da and the Claimants.

Both GZ Zheng Da and the Claimants instituted same pleads for appeal (the "Settlement Appeal") at the Guangdong Court thereafter and the Settlement Appeal was not yet heard up to 29 March 2022, the date of the Annual Report 2021.

The aforesaid cases refer to the Claimants' disagreement with the decision of the Former Property Bureau on two compensation and resettlement cases for property demolition by means of property resettlement but not cash compensation. The Claimants in capacity as the legitimate estate beneficiaries (合法繼承權屬人等) rejected the Former Property Bureau's offer to take up properties resettlement but demanded for cash compensation instead. GZ Zheng Da in capacity as the Qualified Person for Demolition and Relocation (合資質拆遷人) by law is responsible to provide new properties to the Former Property Bureau for resettlement and compensation (拆遷補償) to those owners whose properties are demolished. Hence, the disputes on compensation terms for property demolition between the properties owners and the Former Property Bureau are not related to GZ Zheng Da which does not have contractual obligations or discretion to offer cash compensation or property resettlement to those owners of demolished properties in dispute. GZ Zheng Da involves in the cases in the capacity as an interested party (利害關係人) but not defendant.

All Claimants did not provide legal or other documentation to demonstrate their inheritance to the owners of the subject properties by law but represented that they were the legal and absolute beneficiaries (合法及唯一繼承權屬人等) while some other legal beneficiaries either were deceased or surrendered their interests. It appeared that the Former Property Bureau did not verify the litigate and absolute beneficiaries of the Claimants but accepted their joint declaration by notary instead.

All the Claimants resided outside Mainland China and were represented by two joint powers of attorneys with authorisations executed some 20 years ago. Two of the Claimants deceased in 2010 and 2016 respectively and three of the Claimants were aged at 96, 88 and 83 respectively in 2021. The power of attorneys of the Claimants did not declare the decease of two of the Claimants until and when GZ Zheng Da filed a complaint to the court in 2019. The power of attorneys of the Claimants also represented the beneficiary of a deceased claimant without proper legal mandate. There was no evidence substantiated at the court hearing whether all the Claimants, other than the two deceased, were alive with good mental capacity and whether the power of attorneys remained valid, enforceable and not yet revoked. The legal validity of the Claimants' power of attorneys was in doubt.

Pursuant to the relevant resettlement and compensation laws and regulations became effective during the period from 1994 to 2003, there was no provision for cash compensation option for resettlement and compensation claim cases similar to the Claimants' cases.

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 32 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the business of the Group, comprising a discussion and analysis of the performance of the Group during the year including analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred (if any) since the end of the year ended 31 December 2022, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Management Discussion and Analysis" on pages 3 to 11.

- "Financial Risk Management Objectives and Policies" in note 30 to the financial statements on pages 113 to 115.

- "Corporate Governance Report" on pages 34 to 40.

All such discussions form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the annual report, the Directors are not aware of any principal risks and uncertainties of the Group.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the financial statements on pages 54 to 130 of this annual report.

The Group's principal businesses are property development, investment and management. Due to the nature of business, which is heavy capital driven, the Directors aim at maintaining working capital resources to a material extent as well as long term capital appreciation rather than short to medium term profits. As such, the Directors resolved a no dividend policy until and when the re-development projects in pipeline are completed and manage to generate steady and recurring income.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2022.

FIVE YEAR GROUP FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from its audited financial statements, is set out on page 131 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movement of the Company's share capital are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have reserves available for cash distribution and distribution in specie. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$12,127,000, are distributable in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and supplier were as follows:

(i) the sales attributable to the Group's largest customer represented 100% of the Group's total sales for the year; and

(ii) the Group had no major supplier due to the nature of principal activities of the Group.

As far as the Directors are aware, neither the Directors, their respective close associates nor any substantial shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customer.

DIRECTORS

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

Executive Director:

Ho Kam Hung

Non-Executive Director:

Young Kwok Sui

Independent Non-Executive Directors:

Tam Kong, Lawrence
Wong Miu Ting, Ivy
Wong Kui Fai

All non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of their appointments. Thereafter, the appointment is automatically renewed for successive 12-month periods. All non-executive Directors are subject to re-election by shareholders at the general meetings at least once every three years on a rotation basis. Re-election of retiring Directors at general meetings is presented in separate resolutions.

In accordance with the Company's bye-laws, Wong Miu Ting, Ivy and Tam Kong, Lawrence shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai, and regards these directors to be independent as at the date of this report.

Details of the profile of the Directors are set on page 46 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below and note 34 to the financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or any of the Company's subsidiaries was a party and in which a director nor a connected entity of a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the reporting year or at any time during the year.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

The Company operated a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Share Option Scheme, which was adopted on 19 December 2012 and remained in force for 10 years from the date of adoption, was lapsed on 18 December 2022. Further details of the Share Option Scheme are disclosed in note 24 to the financial statements.

The movements in the share options granted, exercised and remained outstanding during the year were as follows:

Name or category of participant	At 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$ per share*
	Number of share options							
Directors								
Ho Kam Hung	–	7,000,000	(7,000,000)	–	–	2-12-2022	3 years/ 2-12-2022 to 1-12-2025	0.09
Former Non-Executive Director								
Lam Kuo	–	5,000,000	–	–	5,000,000	2-12-2022	3 years/ 2-12-2022 to 1-12-2025	0.09
Employees								
6 individuals in aggregate	–	23,000,000	(23,000,000)	–	–	2-12-2022	3 years/ 2-12-2022 to 1-12-2025	0.09
Business Associates								
5 individuals in aggregate	–	25,000,000	(25,000,000)	–	–	2-12-2022	3 years/ 2-12-2022 to 1-12-2025	0.09
Total	–	60,000,000	(55,000,000)	–	5,000,000			

Notes:

1 The vesting period of the share options is the date of grant.

2 The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

3 The closing price of the Company's shares immediately before the date on which the share options were granted was HK$0.082 per share.

At the end of the reporting period, 55,000,000 share options were exercised but respective new shares were not yet issued as permissible under the terms of the Share Option Scheme. 55,000,000 new shares were subsequently issued on 9 January 2023. At the date of approval of this annual report, the Company had 5,000,000 share options remained outstanding.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.082 per share (2021: no share options were exercised).

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive, if any, in the share capital and the underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Securities Code"), were as follows:

The Company:

Name of director and chief executive	Capacity and nature of interest	Number of shares held: Long position	Number of shares held: Short position	Percentage of the Company's share capital *(note 2)*
Ho Kam Hung *(note 1)*	Through controlled corporations	110,600,000	–	14.39
	Share options exercised	7,000,000	–	0.91
		117,600,000	–	15.30

Notes:

1. Ho Kam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:

   (i) 10,800,000 shares are held by Morcambe Corporation which is beneficially owned by him;

   (ii) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest;

   (iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest; and

   (iv) 7,000,000 new shares were issued on 9 January 2023 upon exercise of 7,000,000 share options prior to 31 December 2022.

2. The total issued shares of the Company was assumed to be 768,616,520 shares which took into account of 55,000,000 new shares issued on 9 January 2023.

Associated Companies:

Name of director and chief executive	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives held: Long position	Numbers of shares/equity derivatives held: Short position	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Land Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13

The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 32 to the financial statements.

Save as disclosed above, as at 31 December 2022, to the best knowledge of the Directors, none of the Directors and chief executive, if any, had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code.

CONNECTED TRANSACTIONS

The Company had the following connected transactions, details of which were disclosed in accordance with the requirements of Chapter 14A of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(i) on 28 June 2022, the Company entered into an extension agreement with the Vendors (as defined in page 20 of this annual report) to extend the dates of completion of the second, the third and the fourth tranches in relation to the Acquisition (as defined in page 20 of this annual report) from 30 June 2022 to 30 June 2023, while no deferred interest is required for the period of extension. Further details are disclosed in page 8 of this annual report;

(ii) an interest expense of HK$1,485,000 was incurred in respect of a loan from Ho Kam Hung, a Director, during the year. Details of a loan from a director are disclosed in notes 21 and 34(a) to the financial statements; and

(iii) on 15 March 2023, Ho Kam Hung, a Director, entered into an agreement with the Company to indemnify the Company from any potential losses (if any) arising from a receivable of RMB9,706,000 (equivalent to HK$10,968,000) for the year ending 31 December 2023. Similar indemnity was also provided to the Company for the year ended 31 December 2021.

CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following continuing connected transaction, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

A license fee of HK$458,000 (2021: Nil) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive Director. The continuing connected transaction under the licensing agreement constitutes a de minimis transaction under the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had about 30 employees and the total staff costs (including remuneration of the Directors' and chief executive (if any)) accumulated to approximately HK$8.3 million. Remuneration policies are reviewed regularly by the Remuneration Committee and the Directors. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective regions in which the Group operates.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests and short positions of 5% or more of the share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Name of shareholders	Capacity and nature of interest	Number of Shares held	Percentage of the Company's share capital *(note 9)*
Ye Jia Li *(note 1)*	Interest of spouse	117,600,000	15.30
Ho Tsam Hung *(note 2)*	Through controlled corporations	105,600,000	13.74
Ho Pak Hung *(note 3)*	Through controlled corporations	99,800,000	12.98
Liang Gui Fen *(note 4)*	Interest of spouse	99,800,000	12.98
EC Fair Limited *(notes 2 and 3)*	Directly beneficially owned	87,120,000	11.33
Link Tide Investments Limited *(note 5)*	Directly beneficially owned	108,000,000	14.05
Guangshi Harvest Limited *(note 6)*	Through controlled corporation	108,000,000	14.05
China Guangshi International Investments Holdings Co., Ltd *(note 7)*	Through controlled corporation	108,000,000	14.05
新疆光實含弘股權投資管理有限公司	Through controlled corporation	108,000,000	14.05
Strong Hero Holdings Limited *(note 8)*	Directly beneficially owned	100,000,000	13.01
Xie Xiaoxiang	Through controlled corporation	100,000,000	13.01

Notes:

1. Ye Jia Li is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Kam Hung, a Director.

2. Ho Tsam Hung is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 5,800,000 shares are held by Morgan Estate Assets Limited, which is beneficially owned by him;

   (ii) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest; and

   (iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

3. Ho Pak Hung is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest; and

   (ii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

4. Liang Gui Fen is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.

5. Link Tide Investments Limited is wholly-owned by Guangshi Harvest Limited.

6. Guangshi Harvest Limited is wholly-owned by China Guangshi International Investments Holdings Co., Ltd.

7. China Guangshi International Investments Holdings Co., Ltd. is wholly-owned by 新疆光實含弘股權投資管理有限公司.

8. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

9. The total issued shares of the Company was assumed to be 768,616,520 shares which took into account of 55,000,000 new shares issued on 9 January 2023.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a property developer, wholesale and retailing premises operator in Mainland China, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution, sewage treatment and disposal of building debris in public domain. Compliance procedures are in place from time to time to ensure adherence to applicable laws, rules and regulations.

During the year under review, so far as the Directors are aware, the Group complied with relevant laws and regulations that had significant impact on the operations of the Group. Moreover, the Management also brought attention to any latest changes in applicable laws, rules and regulations and reminded relevant employees and operation units during the year.

Please refer to pages 41 to 45 of this annual report under the section headed "Environmental, Social and Governance Report" for further details.

RELATIONSHIP WITH EMPLOYEES

The Group is committed to establishing a close and caring relationship with its employees.

The Group also provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their roles.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Company's Bye-laws, all Directors or officers of the Group shall be entitled to be indemnified out of the assets of the Group against all losses or liabilities incurred or sustained by them as Directors or officers of the Group in defending any proceedings, provided that no fraud or dishonesty were committed by the said persons. Appropriate insurance coverage for the liabilities of the Directors and officers was arranged by the Company during the year in respect of any legal actions which might be taken against them in the execution and discharge of their duties or in relation thereto.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, the Company maintained the prescribed amount of public float as required under the Listing Rules at all times up to the date of this report.

AUDITOR

Ernst & Young retires and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

There was no change of the auditor of the Company in the preceding three years.

ON BEHALF OF THE BOARD

Ho Kam Hung
Executive Director

Hong Kong
30 March 2023

This corporate governance report describes the Company's corporate governance practices and explains the application of the principles of the code provisions of the Corporate Governance Code (the "Governance Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022 and for the period up to the date of this report. The Directors are of the view that the Company complied with the Governance Code throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Securities Code set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. Amendments will be made to the Securities Code in order to conform with any new amendments made to Appendix 10 to the Listing Rules from time to time. Having made specific enquiry to all Directors, the Company confirmed that the Directors complied with the required standards set out in the aforesaid code throughout the year under review.

BOARD OF DIRECTORS

The Directors are responsible for determining those matters that are to be retained for full board's sanctions including, but not limited to, overall strategy and long-term objectives, new business opportunities, business plans and financial statements, interim and final results, material acquisitions and disposal of assets, capital projects and commitments, cash flow projections and planning, funding and risk management policies, material litigations, connected transactions and corporate governance.

The Directors delegated the day-to-day responsibilities in respect of management and administrative functions to the senior management of the Group including, but not limited to, implementing and achieving the strategies and objectives set by the Directors as well as overseeing the performance of different operating subsidiaries, monitoring and implementing proper accounting system and internal control.

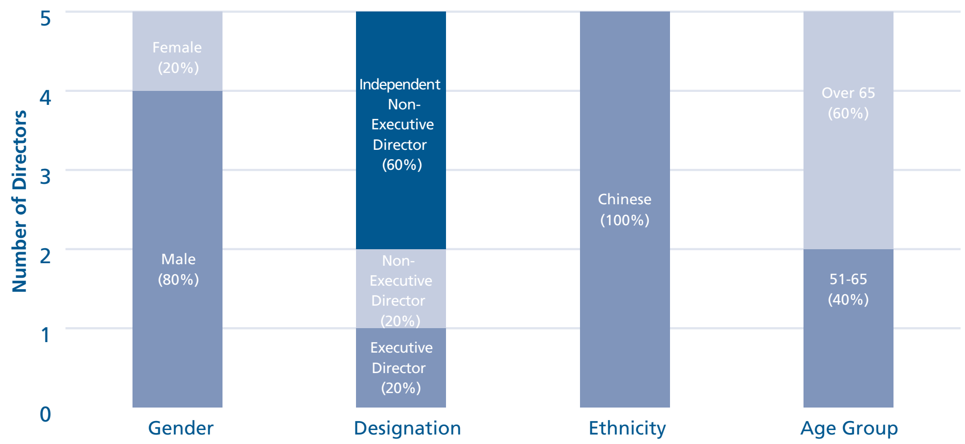
The Directors perceived that gender or age diversity policy itself may constitute a kind of discrimination to certain extent. Hence, the Directors would not pursue parameters for gender or age diversity on the board (the "Board") but always invite the most suitable candidates as new board members.

The following board skills matrix shows a breakdown of the diverse skills set of the Board.

Board Skills Matrix

Note: The Board comprises 5 Directors.

The following chart shows the diversity profile of the Board as at 31 December 2022:



As to-date, the Board comprises of five members, i.e., one executive Director, one non-executive Director and three independent non-executive Directors, all of them have been serving on board for more than 10 years.

At the Company's annual general meeting held on 14 June 2022, the chairperson of the meeting declared that all three independent non-executive Directors had served on the Board for more than nine years and Wing Kui Fai, one of the three independent non-executive Directors, was re-elected upon retirement by rotation pursuant to the Company's bye-laws.

Pursuant to the Governance Code, the Company is required to appoint an additional independent non-executive Director with effect from the conclusion of the forthcoming annual general meeting if all existing three independent non-executive Directors, all of whom have served for more than nine years, remain on board by then. The Directors will review the board composition with an objective to meet the said code compliance.

The Directors also have the corporate governance function, which is to determine the policy for the corporate governance of the Company and duties performed by the Directors under the provisions of the Governance Code.

Independent non-executive Directors held lunch meetings regularly to discuss the Company's affairs and corporate governance matters.

Four regular and two ad-hoc board meetings were held during the year ended 31 December 2022. The attendance record of each Director at the said meetings throughout the year is set out as follows:

Name	**Attended/ Eligible to Attend**
Executive Director	
Ho Kam Hung	6/6
Non-Executive Director	
Young Kwok Sui	6/6
Independent Non-Executive Directors	
Tam Kong, Lawrence	6/6
Wong Miu Ting, Ivy	6/6
Wong Kui Fai	6/6

The Company kept full and paper record of board minutes. The Directors' views and discussions (in particular different views, if any) were recorded in board minutes.

During the year ended 31 December 2022, the Directors participated in the following trainings:

Name	Type of Training
Executive Director	
Ho Kam Hung	A
Non-Executive Director	
Young Kwok Sui	A
Independent Non-Executive Directors	
Tam Kong, Lawrence	A
Wong Miu Ting, Ivy	A
Wong Kui Fai	A

A: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

BOARD INDEPENDENCE

The Company recognises that board independence is key to good corporate governance. As part of the established governance framework, the Group has in place effective mechanisms that underpin a strong independent board and that independent views and input from Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with market practice, ensuring their effectiveness.

The current composition of the Board (more than one third independent non-executive Directors) and the Audit Committee (comprising all independent non-executive Directors) exceed the independence requirements under the Governance Code. The Nomination Committee and Remuneration Committee are both chaired by independent non-executive Directors. The Company has set guidelines for selection, nomination and appointment/re-appointment process for Directors (including independent non-executive Directors). Fees to independent non-executive Directors are in the form of cash payment. None of independent non-executive Directors receives remuneration based on performance of the Group.

CHAIRMAN AND CHIEF EXECUTIVE

The Governance Code stipulates that the roles of chairman and chief executive should be separated and exercised by different persons. In order to comply with this provision by spirit, board meetings and general meetings of the Company were chaired by non-executive Director or independent non-executive Directors by rotation at most of the time throughout the year under review. The Company considers that this practice is in line with the spirit of the Governance Code's practice.

Ho Kam Hung, being the Managing Director, is regarded as performing similar role as a chief executive officer.

NON-EXECUTIVE DIRECTORS

The terms of office of all non-executive Directors (including independent non-executive Directors), who are subject to earlier determination or retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws and/or applicable laws and regulations, are fixed for one year renewable automatically on an annual basis.

The Company received from each of its independent non-executive Directors an annual confirmation of independence and considered that each of them is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the provisions of the bye-laws of the Company, any director appointed by the Company either to fill a casual vacancy or as an addition to the Board shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. However, the Managing Director, though without a specified term, voluntarily retired and offered himself for re-election at the Company's annual general meetings in the past years. The Company considers that this practice is in line with the spirit of the Governance Code's practice.

AUDIT COMMITTEE

The present members of the Audit Committee are comprised of three independent non-executive Directors, Wong Miu Ting, Ivy, as Chairperson, Wong Kui Fai and Tam Kong, Lawrence and one non-executive Director, Young Kwok Sui.

The attendance record of each member at the audit committee meetings throughout the year is as follows:

Name of members	**Attended/ Eligible to Attend**
Wong Miu Ting, Ivy *(Chairperson)*	2/2
Wong Kui Fai	2/2
Tam Kong, Lawrence	2/2
Young Kwok Sui	2/2

Terms of reference of the Audit Committee, which have been adopted in 2012, are posted in the Company's website. The main duties of the Audit Committee include, inter alia, reviewing the financial information of the Group and overseeing the Group's financial reporting system, internal control procedures and connected transactions.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three independent non-executive Directors, Tam Kong, Lawrence, as Chairman, Wong Miu Ting, Ivy and Wong Kui Fai, and one executive Director, Ho Kam Hung.

The attendance record of each member at the remuneration committee meetings throughout the year is as follows:

Name of members	Attended/ Eligible to Attend
Tam Kong, Lawrence *(Chairman)*	1/1
Ho Kam Hung	1/1
Wong Kui Fai	1/1
Wong Miu Ting, Ivy	1/1

Terms of reference of the Remuneration Committee, which have been adopted in 2012, are posted on the Company's website. The main duties of the Remuneration Committee include, inter, alia, determining remuneration policy for Directors and senior management and reviewing remuneration packages including performance-based remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises of three independent non-executive Directors, Wong Kui Fai, as Chairman, Tam Kong, Lawrence, and Wong Miu Ting, Ivy (newly appointed, with effective from 1 May 2022) and one executive Director, Ho Kam Hung.

The attendance record of each member at the nomination committee meetings throughout the year is as follows:

Name of members	Attended/ Eligible to Attend
Wong Kui Fai *(Chairman)*	1/1
Ho Kam Hung	1/1
Tam Kong, Lawrence	1/1
Wong Miu Ting	1/1

Terms of reference of the Nomination Committee, which have been adopted in 2012, are posted on the Company's website. The main duties of the Nomination Committee include, inter alia, determining policy for nomination of directors and nomination procedures and criteria for selecting and nominating candidates for directorship.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's internal control and through the Audit Committee, conduct periodic review on the effectiveness of such areas, covering material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of such internal control system includes discussion with management on risk areas identified by management. The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against potential material misstatement or loss and to manage rather than eliminate risks of failure in operational system so that the Group's objectives can be achieved.

The Directors also reviewed if the Group had adequate resources, staff qualifications and experience, training programmes and financial reporting functions to meet the risk management needs.

The Directors consider that the Group's risk management was in order during the year under review.

WHISTLEBLOWING POLICY

In line with the commitment to achieve and maintain a high standard of openness, probity and accountability, the Directors expect and encourage employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice within the Group. In this regard, the Company has adopted the Whistleblowing Policy which aims to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them against unfair dismissal or victimisation for any genuine reports made. The Board delegated the authority to the Audit Committee which is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

ANTI-FRAUD AND ANTI-BRIBERY POLICY

In all its business dealings, the Group does not tolerate any form of fraud or bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Fraud and Anti-Bribery Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and promptly to seek guidance where necessary.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the fees charged by the Company's auditor, Ernst & Young, for the Group's annual audit services amounted to HK$1,860,000.

SHAREHOLDERS' RIGHTS

The Directors believes that effective communication with the shareholders on a timely basis is essential. Shareholders can, by written requisition to the Board or the company secretary of the Company, to convene a special general meeting, subject to the relevant provision of the Company's bye-laws. The Company also posted "The Procedures for Shareholders to Propose A Person for Election as a Director" on the Company's website.

At general meetings, the Chairperson of the meeting will explain the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. All resolutions to be voted at general meetings will be voted by separate resolutions as far as practicable.

Shareholders are also provided with contact details of the Company, such as telephone number, fax number, email address and postal address in the Company's website www.zhonghuagroup.com, so that they may make query to the Company should they think necessary. Shareholders can also put forward their proposals at shareholders' meetings through reasonable access means subject to the provisions as set out in the Company's bye-laws.

INVESTOR RELATIONS

The existing Company's bye-laws were adopted in 2013 and no amendments had been made since then. The Company's legal advisers will review the Company's bye-laws so that they manage to cope with the latest legislative provisions and put forward for shareholders' approval at the forthcoming annual general meeting if amendments to be made.

As a platform of exchange views between the Company and its shareholders, all Directors and the Company's auditor attended shareholders' meeting during the year under review.

INTRODUCTION

This environmental, social and governance ("ESG") report is prepared pursuant to Appendix 27 to the Listing Rules and serves as a summary of the Group's ESG management approach, strategies, priorities and objectives, and explains how these parameters relate to or affect the Group's business and operation.

ESG FRAMEWORK

ESG risks and opportunities are considered at the board level of the Group, with the Directors having overall responsibilities for determining the Group's ESG risks and ensuring reasonable but effective risk management and sound internal control system. The Directors guide the Management in setting goals and directions regarding ESG matters with reference to the Group's business objectives and operational models in practice. The Directors also evaluate the balance between the Group's operational efficiency and ESG compliance costs.

ESG EVALUATION

To achieve the aforesaid objectives, the Management presents an annual update at the first full board meeting of the Company to be convened every year. In the annual update, the report generally includes:

(i) the Group's ESG compliance performance during the previous year;

(ii) the Group's ESG non-compliance during the previous year (if any) with reasons and factors causing such non-compliance;

(iii) recommendations and revised policies and guidelines on ESG compliance proposed by the Management (if any) for implementation for current year; and

(iv) the draft ESG report for inclusion in the Company's annual report.

The Directors then review the ESG update submitted by the Management at board meeting and take the following actions:

(i) making comments and recommendations (if any) on revised ESG policies and guidelines proposed by the Management;

(ii) raising new or unidentified ESG risks and compliance requirements that may have potential impact to the Group's operation and financial performance (if any);

(iii) dialogue with the Management on ESG and other related matters;

(iv) adopting the new ESG policies and guidelines set by the Management for implementation for current year; and

(v) approving the content of the ESG report for inclusion in the Company's annual report.

SCOPE AND LIMITATION

The Group is principally engaged in property development, investment and management businesses and has two major investment properties in Chongqing and Guangzhou, Mainland China. As at 31 December 2022, the Group operated a shopping mall in Chongqing and had a re-development site in Guangzhou but demolishment work (拆遷工程) remained unaccomplished. The Group also had a portfolio of about 190 residential units available for sale in Guangzhou. The Group also maintained a corporate office in Hong Kong handling corporate, accounting and listing rules compliance matters. The total headcount of the Group was about 30 as at 31 December 2022.

Taking into account of relatively small operational scale and headcount of about 30, the Management has to balance the efforts and additional resources utilized for ESG management and its cost benefits and contributions to the communities.

The Management observes the principles of Materiality, Quantitative and Consistency as prescribed by Appendix 27 of the Listing Rules as far as practicable.

ENVIRONMENTAL ASPECTS

Emissions and Use of Resources

The Management has a good practice in implementing environmental friendly policies and observes, to a material extent, relevant laws and regulations about energy saving and environmental pollution imposed by the governmental bodies from time to time. For instance, being one of the ESG policies, all building and renovation materials, fixtures and furniture, electrical appliances replaced or newly installed are required to comply with the prevailing specifications and standards imposed by the relevant industrial institutions or governmental bodies.

This practice has been adopted by Guang Yu Square (港渝廣場) in Chongqing and Hong Kong corporate office for years. The Management will adopt the same policies when sourcing building and construction materials, fixtures and furniture for the re-development project in Guangzhou.

The Management also implements sensible energy saving program and policies from time to time. For instance, most fluorescent tubes and tungsten light bulbs used in Guang Yu Square in Chongqing have been replaced with light emitting diode tubes and comparable energy saving lighting appliances a couple years ago. Due to the nature of its business, the Management perceives that hazardous waste and greenhouse gas emission (such as methane, nitrous oxide or sulphur hexafluoride) to be generated by shopping mall operation is minimal while water and fuel consumption waste is not a concern of shopping mall operation. There is limited energy saving lighting installed in the corporate office in Hong Kong because most lighting are provided by the landlord.

As shopping mall operator, the largest energy usage is the electricity charges for air-conditioning but not lighting. To reduce the electricity charges as well as carbon dioxide pollution, the Management has imposed strict temperature control policy for air-conditioning and ventilation operation in Guang Yu Square. The electricity charges for the corporate office in Hong Kong, however, cannot be reduced to a material extent because the air-conditioning system is in 24-hours operation present by the landlord. Given the Group has completed most of its energy saving program a couple of years ago, the Management anticipates that there will be little room for further reduction of air, greenhouse, gas and light emission for the year under review unless there are new technologies evolved.

The Management is always committed to adopting novel building materials and electrical appliances with energy saving or environmental friendly features provided that the costs of these novel products are reasonably affordable. This principle will also apply to the proposed re-development project in Guangzhou.

Environment, Natural Resources and Climate Change

The Management perceives that shopping mall operation will not have major hazard to the environment, natural resources and climate condition. No material non-compliance of environmental and pollution laws and regulations was reported in the past years. The Management considers that the Group's businesses are not sensitive to climate change (e.g. 2 degree Celsius scenario) and in particular the acute risks are remote and unlikely.

The Management, however, recognizes that construction activities usually consume significant amount of resources and result in considerable amount of emissions and wastes. The Management will strictly monitor the environmental risks related to its re-development project in Guangzhou by performing environmental assessment and implementing preventive measures to control the exposures. To serve this end, the Management is prepared to lay down strict measures and policies on compliance of environmental laws and regulations in the tender proposals of the re-development plan in Guangzhou. The Management is committed to constructing a quality re-development project in Guangzhou in a socially and environmentally responsible manner with "green building design" if practicable.

The Management is also committed to earmarking funds to be raised under the Green Finance Framework to fund in whole or in part of "eligible projects" for the re-development project in Guangzhou.

"Eligible projects" include:

Green Building – acquisition, construction, re-development or renovation of commercial or residential buildings processing environmental certification from LEED (minimum gold grade) or a China Green Building Label (minimum two stars award).

Energy Efficiency – adoption of technologies, equipment and systems generating at least 10% improvement in energy efficiency or at 10% in energy reduction.

Renewable Energy – investment in solar power generation and solar water systems.

Pollution Prevention and Control – Expenditure relating wastewater treatment, dust pollution prevention and treatment, reduction, recycling and re-use of solid waste.

SOCIAL ASPECTS

Employment and Labour Standards

The Group only has headcount of about 30 and most staff have been serving the Group for over 20 years. Staff turnover rate was relatively low in the past. Given of such small workforce with long serving history and low staff turnover, it is not meaningful to provide gender and age analysis.

The Management values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees. It is admitted that the Group's remuneration package is non-competitive with those packages offered by conglomerates or multi-national enterprises, but it delivers a fair, comfortable, caring and enjoyable work place to its staff.

Other than statutory labour terms and benchmark staff benefits, the Group offers additional fringe benefits to its staff like paid maternity, paternity and funeral leave, paid study and elderly care leave and professional training, overtime allowance and compensation, flexible office hours, free travel packages and bulk purchase discount on selective commodities and health care program.

The Group does not encourage its staff working overtime or late. The Group also provides allowances and insurance coverage for staff who requires overseas or cross-border travel. In addition, the Management respects equal opportunities and family status of its staff. The Group never hired child, forced or illegal labour.

Health and Safety

All premises under the Group's management do comply with the relevant building, fire, and environmental requirements imposed by the relevant laws and regulations from time to time. The Management conducts fire drill at Guang Yu Square and its corporate office in Hong Kong twice per year. No major fire hazard or industrial accident was reported during the year under review. Due to its business nature, the staff's exposure to occupational hazard is remote and unlikely.

The challenges arising from the COVID-19 pandemic in Mainland China and Hong Kong are unprecedented as the Group's shopping mall operation in Chongqing Mainland has temporary ceased business from time to time in compliance with state orders while most staff are restricted from travelling freely in Mainland China and cross border to and from Hong Kong during the year under review. In view of the severity of the pandemic, it is necessary and appropriate to accord priority of the health and safety of all personnel when performing their duties.

The Management respects staff's personal preference and piracy and does not impose compulsory COVID-19 vaccination policy to all staff but encourage them to carry out rapid antigen test or vaccination if necessary. Both offices in Mainland China and Hong Kong also set up health pickets (健康糾察) to disseminate latest COVID-19 related, health care and scientific information to its staff and immediate family members.

Development and Training

The Management always encourages its staff to enroll professional, academic, vocational or healthcare related training courses. For instance, the Group sponsored its senior staff to enrol the Master of Corporate Governance Course offered by the Metropolitan University of Hong Kong. The Group offers paid study and exam leave for its staff.

The Management also organises in-house seminars and training courses for its directors and staff from time to time. The Group grants subsidy to its staff for attending external professional and vocational training courses should circumstances necessitate. Subject to relaxation of social distancing measures, the Management intends to offer high intensity interval training and yoga courses for its staff in Hong Kong this year.

Supply Chain Management and Product Responsibility

Due to its business nature, the Group did not set up hard and fast rules for supply chain management and product responsibility. Alternatively, the Management always encourages its tenants and contractors to observe intellectual rights and product safety. The Management always respects fair trade contracts.

Anti-Corruption and Anti-Money-Laundering

The Management has set up stringent house guidelines about ethics and honesty, bribery, extortion, fraud, money laundering, national security and terrorism. No suspected fraud, bribery, extortion or money laundering case was reported during the year under review.

Community Investment

The Management always dedicates its staff and resources to serve the community by means of donations, sponsorship, volunteer services, and organizing “kai fong” events within the community. In Mainland China, governmental endorsement (or no objection) is essential for hosting “kai fong” events like “National Day Gala”, “Spring Festival Fire Crackers and Lion Dance Show” and “Free Distribution of Fortune Rice”.

As part of the civic and patriotic propaganda program, the Management always posts related posters and leaflets issued by the governmental bodies, and invites government officers to present civic and patriotic seminars in its premises. The Group also sponsors events and functions organised by local authorities.

Profile of Directors

DIRECTORS

Executive director

Ho Kam Hung, aged 67, has been appointed as the Managing Director since October 1997. Mr. Ho has over 30 years' experience in property investment and development, manufacturing, multinational trading and high-tech investments in Mainland China and Hong Kong. Mr. Ho has been enthusiastic in community services in Mainland China and is currently the Standing Committee of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會), as well as the vice presidents of Guangdong International Overseas Chinese Chamber of Commerce (廣東國際華商會) and Guangdong Chamber of Foreign Investors (廣東外商公會).

Non-executive director

Young Kwok Sui, aged 64, was appointed as an independent non-executive Director in December 2002 and was re-designated as a non-executive Director in March 2006. He holds bachelor degrees in laws and commerce awarded by the University of Canterbury, New Zealand. He is also a solicitor and barrister of the High Court of New Zealand. He has over 30 years' professional and commercial experiences in finance, corporate strategies and property sector.

Independent non-executive directors

Tam Kong, Lawrence, aged 78, was appointed in December 2005 as an independent non-executive Director. He is a seasoned banking and finance professional. He is a member of the Chartered Governance Institute (formerly known as *the Institute of Chartered Secretaries and Administrators*), the United Kingdom, and holds a Post-Graduate Diploma in Management Studies from the University of Hong Kong and has completed the Pacific Rim Bankers Program at the University of Washington, Seattle, the United States of America.

Wong Miu Ting, Ivy, aged 61, was appointed in December 2005 as an independent non-executive Director. She holds a Bachelor Degree in Accounting and Financial Management from Loughborough University, the United Kingdom. She is a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Wong has over 30 years, experience in auditing and business advisory. She also has experience in initial public offerings of various companies and has been providing financial advisory services to listed companies in relation to accounting, internal control and financial matters.

Wong Kui Fai, aged 66, was appointed in November 2006 as an independent non-executive Director. He holds a Bachelor Degree in Actuarial Science from University of Kent, the United Kingdom. He has been in the information technology ("IT") field for over 30 years with regional exposure covering the Greater China region and the United States. He had served at senior management levels for a number of multinational e-commerce solutions corporations and IT investment companies with hands-on experience in operations, strategic planning and direct investments. Mr. Wong formerly was the General Manager of Microsoft Hong Kong Limited and is presently actively engaged in mergers and acquisitions of cross border IT investment projects. During the period from 24 September 2021 to 17 March 2022, Mr. Wong was an executive director of Winshine Science Company Limited which shares are listed on the Main Board of the Stock Exchange (stock code : 209).

EY 安永

To the shareholders of Zhong Hua International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Accounting for Zheng Da Real Estate Development Company Limited ("HK Zheng Da") and its wholly-owned subsidiary, namely 廣州市正大房地產開發有限公司(Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") (collectively the "Zheng Da Group")</td></tr>
<tr><td>As at 31 December 2022, the Group had a non-controlling interest of HK$2,147,553,000, which represented 75% of equity interest in the Zheng Da Group. The assessment on whether the Group can account for both HK Zheng Da and GZ Zheng Da as its subsidiaries would significantly affect the Group's revenue and net asset value on consolidation basis. During the year ended 31 December 2022 and as at 31 December 2022, the revenue and total assets contributed by the Zheng Da Group to the Group were 6% and 82%, respectively.

The Group acquired 25% equity interest in the Zheng Da Group in December 2007, and pursuant to an acquisition agreement pertaining to the Zheng Da Group and related supplemental agreements executed thereafter (the latest of which was executed in June 2022), the Group had the currently exercisable right to acquire the remaining 75% equity interest in the Zheng Da Group anytime on or before 30 June 2023. In addition, the private company which holds the remaining 75% equity interest in the Zheng Da Group, which is controlled by a director of the Company and his associates, who collectively is the largest shareholder of the Company, has given an undertaking to the Company that its board will abide to all voting instructions proposed by the Group for all resolutions and decisions initiated and made at meetings of both shareholders and the board of directors of HK Zheng Da. Accordingly, the Group has (i) power over HK Zheng Da; (ii) exposure or rights to variable returns from its involvement with HK Zheng Da; and (iii) ability to use its power over HK Zheng Da to affect the amount of its returns.</td><td>We assessed the accounting treatment of the investment in the Zheng Da Group and evaluated the Group's control over the Zheng Da Group by, among others, inquiring management, reviewing the related acquisition agreement and supplementary agreements, the minutes of HK Zheng Da and the undertaking given to the Company by the largest shareholder of the Zheng Da Group. We also checked the calculation of non-controlling interests of the Group and assessed related disclosures in the consolidated financial statements.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for Zheng Da Real Estate Development Company Limited ("HK Zheng Da") and its wholly-owned subsidiary, namely 廣州市正大房地產開發有限公司(Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") (collectively the "Zheng Da Group") (continued)	
On that basis, the directors of the Company considered it is appropriate to account for both HK Zheng Da and GZ Zheng Da as subsidiaries of the Group with effect from 17 December 2007, the date of completion of the acquisition of 25% equity interest in the Zheng Da Group. This accounting treatment involved significant management judgement and the amounts involved are material. Related disclosures about the accounting judgement and particulars of the Zheng Da Group are included in notes 3 and 32 to the consolidated financial statements.	
Fair value estimation of investment properties	
As at 31 December 2022, the aggregate fair value of the Group's investment properties was HK$4,274,112,000 which represented 96.8% of the Group's total assets. The estimation of fair value of investment properties requires management's significant judgement. Management, on an annual basis, commissions professional valuers to appraise the fair values of the Group's investment properties, and determines the fair value of these properties with reference to the valuation carried out by the professional valuers. Related disclosures about the accounting estimation and the fair value measurement of investment properties are included in notes 3 and 14 to the consolidated financial statements.	We reviewed the objectivity, independence and expertise of the valuers commissioned by the Group and assessed the related data and assumptions being adopted, including unobservable inputs and other estimates, by comparing key valuation parameters including the capitalisation rate and unit price with market information. We involved our valuation specialists to assist us in reviewing the valuation methodologies and key valuation parameters on the fair value estimation of investment properties. We also assessed the disclosures relating to the assumptions used in determining the fair values in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Litigations	
As at 31 December 2022, the Group was subject to two legal claims in relation to disputes in respect of (i) an investment in a subsidiary; and (ii) a property demolition. In determining whether provision for these legal claims in dispute is appropriate, management needs to exercise significant judgement with reference to legal advices given by the Group's legal advisors about the estimation of probability that an outflow of resources embodying economic benefits is required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Related disclosures about the accounting judgement and estimates and details of these legal claims are included in notes 3, 32 and 33 to the consolidated financial statements.	We inquired management for the latest status update on legal proceedings and the related legal letters, considered the opinion and advices on the probable outcome of these legal claims given by the Group's legal advisors, and performed writ searches. We then evaluated the assessment for the legal claims made by management and assessed the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay
30 March 2023

Consolidated Income Statement

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	*5*	**30,283**	57,670
Cost of sales		**–**	(5,628)
Gross profit		**30,283**	52,042
Other income and gains		**786**	786
Changes in fair value of investment properties	*14*	**50,692**	33,638
Administrative expenses		**(25,302)**	(25,693)
Finance costs	*6*	**(1,509)**	(1,664)
PROFIT BEFORE TAX	*7*	**54,950**	59,109
Income tax expense	*10*	**(20,900)**	(28,128)
PROFIT FOR THE YEAR		**34,050**	30,981
Attributable to:			
Ordinary equity holders of the Company		**3,273**	6,811
Non-controlling interests		**30,777**	24,170
		34,050	30,981
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
– Basic		**HK cents 0.46**	HK cents 0.95
– Diluted		**HK cents 0.46**	HK cents 0.95

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
PROFIT FOR THE YEAR	**34,050**	30,981
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(242,675)**	80,203
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(208,625)**	111,184
Attributable to:		
Ordinary equity holders of the Company	**(69,972)**	31,202
Non-controlling interests	**(138,653)**	79,982
	(208,625)	111,184

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**3,460**	4,013
Right-of-use asset	*13(a)*	**–**	1,419
Investment properties	*14*	**4,274,112**	4,561,214
Total non-current assets		**4,277,572**	4,566,646
CURRENT ASSETS			
Properties held for sale		**29,315**	32,262
Trade receivables	*16*	**12,334**	21,611
Prepayments, deposits and other receivables	*17*	**11,864**	13,368
Cash and bank balances	*18*	**84,874**	93,204
Total current assets		**138,387**	160,445
CURRENT LIABILITIES			
Trade payables	*19*	**(2,075)**	(2,121)
Other payables and accruals	*20*	**(56,719)**	(70,101)
Tax payable		**(78,559)**	(79,521)
Lease liability	*13(b)*	**–**	(1,303)
Total current liabilities		**(137,353)**	(153,046)
NET CURRENT ASSETS		**1,034**	7,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,278,606**	4,574,045
NON-CURRENT LIABILITIES			
Loan from a director	*21*	**(72,297)**	(78,056)
Due to a director	*21*	**(113,915)**	(149,036)
Long term other payables	*20*	**(146,003)**	(140,763)
Deferred tax liabilities	*22*	**(924,868)**	(982,814)
Total non-current liabilities		**(1,257,083)**	(1,350,669)
Net assets		**3,021,523**	3,223,376

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*23*	**17,840**	17,840
Reserves	*25*	**856,130**	919,330
		873,970	937,170
Non-controlling interests		**2,147,553**	2,286,206
Total equity		**3,021,523**	3,223,376

Ho Kam Hung
Director

Young Kwok Sui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium account HK$'000 *(note 25)*	Share option reserve HK$'000	Contributed surplus HK$'000 *(note 25)*	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 *(note 25)*	Other reserve HK$'000 *(note 25)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	**17,840**	**412,127**	**–**	**80,258**	**153,479**	**–**	**–**	**273,466**	**937,170**	**2,286,206**	**3,223,376**
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**(73,245)**	**–**	**–**	**–**	**(73,245)**	**(169,430)**	**(242,675)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,273**	**3,273**	**30,777**	**34,050**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**(73,245)**	**–**	**–**	**3,273**	**(69,972)**	**(138,653)**	**(208,625)**
Equity-settled share option arrangement *(note 24)*	**–**	**–**	**1,822**	**–**	**–**	**–**	**–**	**–**	**1,822**	**–**	**1,822**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**572**	**–**	**(572)**	**–**	**–**	**–**
Proceeds from exercise of share options	**–**	**–**	**–**	**–**	**–**	**–**	**4,950**	**–**	**4,950**	**–**	**4,950**
Share premium reduction	**–**	**(400,000)**	**–**	**–**	**–**	**–**	**–**	**400,000**	**–**	**–**	**–**
At 31 December 2022	**17,840**	**12,127***	**1,822***	**80,258***	**80,234***	**572***	**4,950***	**676,167***	**873,970**	**2,147,553**	**3,021,523**
At 1 January 2021	17,840	412,127	–	80,258	129,088	–	–	266,655	905,968	2,206,224	3,112,192
Exchange differences related to foreign operations	–	–	–	–	24,391	–	–	–	24,391	55,812	80,203
Profit for the year	–	–	–	–	–	–	–	6,811	6,811	24,170	30,981
Total comprehensive income for the year	–	–	–	–	24,391	–	–	6,811	31,202	79,982	111,184
At 31 December 2021	17,840	412,127*	–*	80,258*	153,479*	–*	–*	273,466*	937,170	2,286,206	3,223,376

* *These reserve accounts comprise the consolidated reserves of HK$856,130,000 (2021: HK$919,330,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**54,950**	59,109
Adjustments for:			
Finance costs	*6*	**1,509**	1,664
Interest income	*7*	**(601)**	(556)
Depreciation of property, plant and equipment	*7*	**261**	273
Depreciation of right-of-use asset	*7*	**1,419**	1,893
Equity settled share option expense	*24*	**1,822**	–
Changes in fair value of investment properties	*7*	**(50,692)**	(33,638)
		8,668	28,745
Decrease in properties held for sale		**582**	5,627
Decrease/(increase) in trade receivables		**7,887**	(17,210)
Decrease in prepayments, deposits and other receivables		**560**	84
Increase/(decrease) in trade payables		**113**	(22)
Increase in other payables and accruals		**7,541**	7,145
Exchange differences on translation of foreign operations		**1,299**	(565)
Cash generated from operations		**26,650**	23,804
Interest received		**601**	556
Interest paid		**(25)**	(116)
Overseas taxes paid		**(770)**	(1,802)
Net cash flows from operating activities		**26,456**	22,442
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	*24*	**4,950**	–
Principal portion of lease payments		**(1,303)**	(1,877)
Decrease in an amount due to a director		**(32,184)**	(15,764)
Net cash flows used in financing activities		**(28,537)**	(17,641)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,081)**	4,801
Cash and cash equivalents at beginning of year		**93,204**	86,407
Effect of foreign exchange rate changes		**(6,249)**	1,996
CASH AND CASH EQUIVALENTS AT END OF YEAR		**84,874**	93,204
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position		**84,874**	93,204

1. CORPORATE INFORMATION

Zhong Hua International Holdings Limited (the "Company") was incorporated in Bermuda on 23 September 1997 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the principal office of the Company in Hong Kong was located at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company has not changed during the year and was investment holding. The principal activities of the Company's subsidiaries are set out in note 32 to the financial statements. There were no significant changes in the nature of the principal activities of the subsidiaries during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand dollars except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting right results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below: (continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
Amendments to HKFRS 16	*Lease liability in a Sale and Leaseback* [2]
HKFRS 17	*Insurance Contracts* [1]
Amendments to HKFRS 17	*Insurance Contracts* [1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* [5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")* [2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")* [2]
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 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation *5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatary guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value, which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Buildings	3%
Leasehold improvements	20%
Equipment	20%
Computer and office equipment, furniture and fixtures	20%
Motor vehicles	20%

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

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

Investment properties

Investment properties are interests in land and buildings held to earn income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Properties held for sale

Properties held for sale, consisting of completed properties intended for sale, are classified as current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other costs attributable to such properties. Net realisable value is determined by directors with reference to the prevailing market prices on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables.

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised costs (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. With the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sales of properties

Revenue from sales of properties is recognised when the properties have been delivered to the buyers and the Group has a present right to payment and the collection of the consideration is probable. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant dale fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

The Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

Management's judgement is required in the area of asset impairment, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the assets using estimated cash flow projections; and (3) the cash flow projections are discounted using an appropriate rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Income tax

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

As explained in note 22 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's subsidiaries in the PRC that would be distributed to their respective holding companies outside Mainland China in the foreseeable future. Management makes assessment based on the factors which included the dividend policy and level of capital and working capital required for the Group's operation in the foreseeable future.

The Group's investment properties at fair value in Mainland China are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group acquired 25% equity interest in Zheng Da Real Estate Development Company Limited ("HK Zheng Da") and its wholly-owned subsidiary, namely 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") (collectively the "Zheng Da Group") in December 2007, and pursuant to an acquisition agreement pertaining to the Zheng Da Group and related supplemental agreements executed thereafter (the latest of which was executed in June 2022), the Group had the currently exercisable right to acquire the remaining 75% equity interest in the Zheng Da Group anytime on or before 30 June 2023. In addition, the private company which holds the remaining 75% equity interest in the Zheng Da Group, which is controlled by a director of the Company and his associates, who collectively is the largest shareholder of the Company, has given an undertaking to the Company that its board will abide to all voting instructions proposed by the Group for all resolutions and decisions initiated and made at meetings of both shareholders and the board of directors of HK Zheng Da. Accordingly, the Group considers that it controls the Zheng Da Group even though it owns less than 50% of voting rights because the Group has (i) power over HK Zheng Da; (ii) exposure or rights to variable returns from its involvement with HK Zheng Da; and (iii) the ability to use its power over HK Zheng Da to affect the amount of its returns. On that basis, the directors of the Company considered it is appropriate to account for both HK Zheng Da and GZ Zheng Da as subsidiaries of the Group with effect from 17 December 2007, the date of completion of acquisition of 25% equity interest in the Zheng Da Group. Further details are given in note 32(c) to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the financial statements.

Fair value estimation of investment properties

In the absence of current prices in an active market for comparable properties, the management considers information from a variety of sources, including:

(a) reference to independent valuations;

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

(c) recent prices of comparable properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurement and sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for legal disputes

At 31 December 2022, the Group was subject to two legal claims in relation to disputes in respect of (i) an investment in a subsidiary and (ii) a property demolition which, in the opinion of the directors of the Company, arose during the normal course of business. In determining whether provision for these legal claims in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits is required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on the advices from the independent legal advisors, the Company remains optimistic in obtaining favourable judgements on these legal claims and hence no provision is required to be made at this stage. Except for those accounted for in the financial statements, no other provision was considered necessary in the consolidated financial statements at the end of the reporting period. Disclosure of the litigations have been made in notes 32 and 33 to the financial statements.

Mainland China Land Appreciation Taxes ("LAT")

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 amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The is incurred upon transfer of property ownership.

A subsidiary of the Group engaging in the property development, investment and management business in Mainland China is subject to LAT. The Group has not yet finalised its LAT calculation and payments for certain sales of its properties with related tax authority and the deductibility of expenditures incurred is uncertain. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates with reference to the past experience, tax regulations and correspondences with local tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated financial statements in the period in which such determination is made. Further details are disclosed in note 10 in the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) the property investment and development segment, which invests in properties for generating potential income from letting and sells properties located in Mainland China; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit before tax from operations except that other income and gains and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities and a loan from a director as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property investment and development		Corporate and others		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Segment revenue *(note 5)*						
Sales to external customers	**30,283**	57,670	**–**	–	**30,283**	57,670
Segment results	**71,161**	73,479	**(15,488)**	(13,492)	**55,673**	59,987
Other income and gains					**786**	786
Finance costs					**(1,509)**	(1,664)
Profit before tax					**54,950**	59,109
Income tax expense					**(20,900)**	(28,128)
Profit for the year					**34,050**	30,981
Segment assets	**4,331,007**	4,631,859	**78**	2,028	**4,331,085**	4,633,887
Unallocated assets					**84,874**	93,204
Total assets					**4,415,959**	4,727,091
Segment liabilities	**311,320**	356,504	**7,392**	6,820	**318,712**	363,324
Unallocated liabilities					**1,075,724**	1,140,391
Total liabilities					**1,394,436**	1,503,715
Other segment information						
Depreciation of property, plant and equipment	**261**	273	**–**	–	**261**	273
Depreciation of right-of-use asset	**–**	–	**1,419**	1,893	**1,419**	1,893
Changes in fair value of investment properties	**(50,692)**	(33,638)	**–**	–	**(50,692)**	(33,638)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenue from one customer (2021: two customers) which accounted for revenue exceeding 10% of Group's total revenue. Revenue from Customer A and Customer B accounted for HK$30,283,000 (2021: HK$30,209,000) and nil (2021: HK$27,461,000), respectively, during the year ended 31 December 2022.

5. REVENUE

An analysis of revenue is as follows:

	2022	2021
	HK$'000	HK$'000
Revenue from other sources		
Income from letting of investment properties	**30,283**	30,209
Revenue from contracts with customers		
Sale of properties	**–**	27,461
	30,283	57,670

Revenue from contracts with customers

The revenue from sale of properties is recognised at a point in time. The performance obligation is satisfied at a point in time when the properties have been delivered to the buyers and the Group has a present right to payment and the collection of the consideration is probable. Settlement is made when the properties have been delivered.

6. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on:		
Loan from a director *(note 34(a))*	**1,484**	1,548
Lease liability *(note 13(b))*	**25**	116
	1,509	1,664

7. PROFIT BEFORE TAX

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

	2022 HK$'000	2021 HK$'000
Cost of properties sold	**–**	5,628
Depreciation of property, plant and equipment *(note 12)*	**261**	273
Depreciation of right-of-use asset *(note 13(a))*	**1,419**	1,893
Lease payments not included in the measurements of lease liability *(note 13(c))*	**509**	285
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries #	**6,923**	7,440
Equity-settled share option expense	**964**	–
Pension scheme contributions ##	**393**	527
	8,280	7,967
Auditor's remuneration	**1,860**	2,060
Bank interest income	**(601)**	(556)
Changes in fair value of investment properties *(note 14)*	**(50,692)**	(33,638)
Equity-settled share option expense for share options granted to business associates	**858**	–

Government subsidy from employment support scheme of HK$96,000 (2021: Nil) in Hong Kong was included in administrative expenses on the face of the consolidated income statement for the year ended 31 December 2022. There were no unfulfilled conditions or contingencies relating to this subsidy.

At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange"), Section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022					
Executive Director					
Ho Kam Hung*	2,400	–	252	36	2,688
Non-executive Director					
Young Kwok Sui	282	–	–	–	282
Independent Non-executive Directors					
Tam Kong, Lawrence	166	13	–	–	179
Wong Miu Ting, Ivy	166	13	–	–	179
Wong Kui Fai	166	13	–	–	179
	498	39	–	–	537
	3,180	39	252	36	3,507
2021					
Executive Director					
Ho Kam Hung*	2,400	–	–	36	2,436
Non-executive Director					
Young Kwok Sui	282	–	–	–	282
Independent Non-executive Directors					
Tam Kong, Lawrence	166	–	–	–	166
Wong Miu Ting, Ivy	166	–	–	–	166
Wong Kui Fai	166	–	–	–	166
	498	–	–	–	498
	3,180	–	–	36	3,216

* Ho Kam Hung is the Managing Director of the Company, which has a similar capacity as a chief executive officer of the Company.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

The Executive Director of the Company is the key management personnel of the Group.

During the year ended 31 December 2022, a director was granted share options, in respect of his service to the Group, under the share option scheme of the Company, further details of which are set out in note 24 to the financial statements. The fair value of such options, which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**1,398**	1,490
Equity-settled share option expense	**155**	–
Pension scheme contributions	**42**	49
	1,595	1,539

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**3**	3

During the year ended 31 December 2022, no emoluments were paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2022, share options were granted to a non-director and non-chief executive highest paid employee in respect of his service to the Group, further details of which are included in the disclosures in note 24 to the financial statements. The fair value of such options, which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current – Mainland China		
Corporate income tax		
Charge for the year	5,805	8,188
LAT		
Charge for the year	–	10,809
Deferred *(note 22)*	15,095	9,131
Total tax charge for the year	20,900	28,128

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2021: 25%).

The LAT for the Group's subsidiary in Mainland China was levied at 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land and all property expenditures.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

For the year ended 31 December 2022

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(14,937)	69,887	54,950
Tax at the statutory tax rate	(2,465)	17,472	15,007
Expenses not deductible for tax	2,465	3,428	5,893
Tax charge at the Group's effective rate	–	20,900	20,900

10. INCOME TAX (CONTINUED)

For the year ended 31 December 2021

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(13,374)	72,483	59,109
Tax at the statutory tax rate	(2,207)	18,121	15,914
Provision for LAT	–	10,809	10,809
Tax effect of LAT	–	(2,702)	(2,702)
Expenses not deductible for tax	2,207	1,900	4,107
Tax charge at the Group's effective rate	–	28,128	28,128

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$3,273,000 (2021: HK$6,811,000), and the weighted average number of ordinary shares of 713,767,205 (2021: number of ordinary shares of 713,616,520) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2022 in respect of a dilution as the impact of the share options did not have a dilutive effect on the basic earnings per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

12. PROPERTY, PLANT AND EQUIPMENT

2022	Buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2022	**9,898**	**575**	**497**	**397**	**4,480**	**15,847**
Exchange realignment	**(731)**	**(17)**	**(24)**	**(14)**	**(37)**	**(823)**
At 31 December 2022	**9,167**	**558**	**473**	**383**	**4,443**	**15,024**
Accumulated depreciation:						
At 1 January 2022	**5,885**	**575**	**497**	**397**	**4,480**	**11,834**
Provided during the year	**261**	**–**	**–**	**–**	**–**	**261**
Exchange realignment	**(439)**	**(17)**	**(24)**	**(14)**	**(37)**	**(531)**
At 31 December 2022	**5,707**	**558**	**473**	**383**	**4,443**	**11,564**
Net book value:						
At 31 December 2022	**3,460**	**–**	**–**	**–**	**–**	**3,460**

2021						
At cost:						
At 1 January 2021	9,654	569	489	393	4,468	15,573
Exchange realignment	244	6	8	4	12	274
At 31 December 2021	9,898	575	497	397	4,480	15,847
Accumulated depreciation:						
At 1 January 2021	5,472	569	489	393	4,468	11,391
Provided during the year	273	–	–	–	–	273
Exchange realignment	140	6	8	4	12	170
At 31 December 2021	5,885	575	497	397	4,480	11,834
Net book value:						
At 31 December 2021	4,013	–	–	–	–	4,013

13. LEASES

The Group as a lessee

The Group has lease contract for office premise in Hong Kong used in its operations. It has lease term of 2 year. The lease is further discussed below:

(a) *Right-of-use asset*

The carrying amount of the Group's right-of-use asset and the movements during the year are as follows:

	2022	2021
	HK$'000	HK$'000
As at 1 January	**1,419**	3,312
Depreciation charge *(note 7)*	**(1,419)**	(1,893)
As at 31 December	**–**	1,419

(b) *Lease liability*

The carrying amount of lease liability and the movements during the year are as follows:

	2022	2021
	HK$'000	HK$'000
Carrying amount at 1 January	**1,303**	3,180
Accretion of interest recognised during the year *(note 6)*	**25**	116
Payments	**(1,328)**	(1,993)
Carrying amount at 31 December	**–**	1,303
Analysed into:		
Within one year	**–**	1,303

The maturity analysis of lease liability is disclosed in note 30 to the financial statements.

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to the lease are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	25	116
Depreciation charge of right-of-use asset	1,419	1,893
Expense relating to short-term leases (included in administrative expenses) *(note 7)*	509	285
Total amount recognised in income statement	1,953	2,294

(d) The total cash outflow for lease is disclosed in note 26(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of two commercial properties in the PRC under operating lease arrangements with a term of one year (2021: one year). The terms would provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$30,283,000 (2021: HK$30,209,000), details of which are included in note 5 to the financial statements.

At the end of the reporting period, the Group had no undiscounted lease payments receivable in future periods under non-cancellable operating leases with its tenants.

14. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	4,561,214	4,415,971
Changes in fair value recognised in the income statement *(note 7)*	50,692	33,638
Exchange realignment	(337,794)	111,605
Carrying amount at 31 December	4,274,112	4,561,214

14. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties comprise commercial properties in Chongqing and properties under development in Guangzhou, the PRC. With reference to the nature, characteristics and risk of these properties, management determined that these commercial properties and properties under development should be classified as investment properties.

The Group's investment properties located in Chongqing and Guangzhou, the PRC, were revalued on 31 December 2022 with reference to the valuations performed by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited, both independent qualified valuers, at RMB342,400,000, equivalent to HK$386,912,000 (2021: RMB348,700,000, equivalent to HK$425,414,000), and RMB3,440,000,000, equivalent to HK$3,887,200,000 (2021: RMB3,390,000,000, equivalent to HK$4,135,800,000), respectively.

Management commissions qualified valuers to appraise the fair values of the Group's investment properties on an annual basis. Selection criteria for external valuers includes market knowledge, reputation, independence and professional standards. Management also discusses with the valuers on the valuation assumptions and methodologies. In estimating the fair values of the properties, the valuers assume the current use is the highest and best use of these properties.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The fair values of the Group's investment properties as at 31 December 2022 and 2021 are estimated by using significant unobservable inputs and the fair value measurements are categorised under Level 3.

	Chongqing, the PRC HK$'000	Guangzhou, the PRC HK$'000
Carrying amount at 1 January 2022	**425,414**	**4,135,800**
Changes in fair value recognised in the income statement	**(7,308)**	**58,000**
Exchange realignment	**(31,194)**	**(306,600)**
Carrying amount at 31 December 2022	**386,912**	**3,887,200**
Carrying amount at 1 January 2021	417,571	3,998,400
Changes in fair value recognised in the income statement	(2,662)	36,300
Exchange realignment	10,505	101,100
Carrying amount at 31 December 2021	425,414	4,135,800

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Class of property	Valuation techniques	Significant unobservable inputs	Weighted average of unobservable inputs 2022	Weighted average of unobservable inputs 2021
Chongqing, the PRC – Commercial properties, completed –Level 3	Income capitalisation approach	Capitalisation rate per annum *(note 1)*	**8%**	8%
Guangzhou, the PRC – Commercial properties, under development – Level 3	Residual approach	Unit price per square metre *(note 2)*	**HK$39,999**	HK$43,027
		Developer's profit per square metre *(note 3)*	**HK$5,547**	HK$5,967
		Estimated cost to complete per square metre *(note 4)*	**HK$10,789**	HK$11,551

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Notes:

1. The higher the capitalisation rate per annum, the lower the fair value

2. The higher the unit price per square metre, the higher the fair value

3. The higher the developer's profit per square metre, the lower the fair value

4. The higher the estimated cost to complete per square metre, the lower the fair value

Under the income capitalisation approach, fair value is estimated on the basis of capitalisation of estimated market rentals for the unexpired land use term. The estimated market rentals of the investment properties are assessed and capitalised at a market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in the lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

Under the residual approach, fair value is estimated on the basis of the gross development value of the investment properties by reference to their development potential deducting various costs, such as construction cost, contingency cost, finance cost, marketing cost and professional fees that will be expended to complete the development as well as the developer's profit, to reflect the risks associated with the development of the investment property and the quality of the completed development. The gross development value is arrived at by making reference to the sales transactions or asking price evidence of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

15. INVESTMENTS IN JOINT VENTURES

	2022 **HK$'000**	2021 HK$'000
Share of net assets	–	–

Particulars of the Group's joint ventures are as follows:

			Percentage of			
Name	**Business structure**	**Place of incorporation and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
I-Mall Investments Limited	Corporate	British Virgin Islands ("BVI")	68.6	33.3	68.6	Dormant
B2B Market Investments Limited	Corporate	BVI	35.0	33.3	35.0	Dormant

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

All of the above investments in joint ventures are directly held by I-Action Agents Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of I-Mall Investments Limited and B2B Market Investments Limited because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. At 31 December 2022, the amount of the Group's unrecognised share of losses of these joint ventures was cumulatively HK$8,614,000 (2021: HK$8,614,000).

16. TRADE RECEIVABLES

An ageing analysis of the trade receivables at the end of the reporting period is as follows:

	2022		2021	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**12,334**	**100**	15,945	74
More than 6 months but within 1 year	**–**	**–**	5,666	26
	12,334	**100**	21,611	100

The Group generally grants a credit term of 3 months to 12 months to its customer.

The ageing of the Group's trade receivables is based on the date of recognition of revenue. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2022, the Group had high concentrations of credit risk that may arise from the exposure to one (2021: one) customer which accounted for 100% (2021: 100%) of the Group's total trade receivables.

The Group has applied the simplified approach to provide impairment of ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables has been grouped based on shared credit risk characteristics and the days past due. The Group considers the historical loss rate and adjusts for forward-looking information in calculating the expected credit loss rate. As at 31 December 2022, the Group estimated the expected loss rate of trade receivables was minimal and no ECL allowance (2021: Nil) in respect of these balances was made.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayments	**20**	22
Deposits and other receivables	**11,844**	13,346
	11,864	13,368

None of the above deposits and other receivables was either past due or impaired at 31 December 2022 and 2021. The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default. On 15 March 2023, Ho Kam Hung, a director of the Company, has indemnified the Company from any losses arising from an other receivable of RMB9,706,000 (equivalent to HK$10,968,000) ("Other Receivable"). The indemnity covers the period from 1 January 2023 to 31 December 2023.

Deposits and other receivables mainly represent rental deposits and Other Receivable. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2022, the Group estimate the loss rate of these balances was minimal and no impairment (2021: Nil) in respect of these balances was made.

18. CASH AND BANK BALANCES

At the end of the reporting period, total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$77,630,000 (2021: HK$85,094,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2022		2021	
	HK$'000	**Percentage**	HK$'000	Percentage
More than 1 year	**2,075**	**100**	2,121	100

The ageing of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

20. OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$'000	HK$'000
Other payables	**145,995**	152,837
Accrued deferred interest on the Remaining Tranches in relation to the Acquisition *(note 32(c))*	**25,837**	25,837
Other accruals	**30,890**	32,190
	202,722	210,864
Less: Current portion	**(56,719)**	(70,101)
Non-current portion	**146,003**	140,763

The balances of other payables and accruals are non-interest-bearing and have no fixed terms of repayment, except for an amount of HK$146,003,000 (2021: HK$140,763,000) which is not repayable before 31 May 2024.

21. BALANCES WITH A DIRECTOR

The loan from a director (the "Loan"), which is unsecured and bears interest at 2% (2021: 2%) per annum, is due to Ho Kam Hung, a director of the Company. The balance due to a director (the "Balance"), which is unsecured and interest-free, is due to Ho Kam Hung, a director of the Company. Ho Kam Hung has undertaken to the Company not to demand repayment of the Loan and the Balance until the Group is able to generate sufficient cash inflows to meet its daily working capital requirement and in any event such repayment request will not be made on or before 31 May 2024 and, accordingly, the Loan and the Balance are included under non-current liabilities.

22. DEFERRED TAX

The movements in deferred tax liabilities/(assets) during the year were as follows:

Deferred tax liabilities

	Fair value adjustments on investment properties		Others		Total	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**986,400**	953,874	**6,518**	4,681	**992,918**	958,555
Deferred tax charged to the income statement during the year *(note 10)*	**12,672**	8,410	**1,634**	1,704	**14,306**	10,114
Exchange realignment	**(73,094)**	24,116	**(524)**	133	**(73,618)**	24,249
Gross deferred tax liabilities at 31 December	**925,978**	986,400	**7,628**	6,518	**933,606**	992,918

Deferred tax assets

	Provision for LAT		Temporary differences of accruals		Loss available for offsetting future taxable profit		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(2,724)**	–	**(7,380)**	(7,247)	**–**	(1,691)	**(10,104)**	(8,938)
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**–**	(2,702)	**789**	–	**–**	1,719	**789**	(983)
Exchange realignment	**201**	(22)	**376**	(133)	**–**	(28)	**577**	(183)
Gross deferred tax assets at 31 December	**(2,523)**	(2,724)	**(6,215)**	(7,380)	**–**	–	**(8,738)**	(10,104)

22. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**924,868**	982,814

The Group has tax losses arising in Hong Kong of HK$156,000 (2021: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax, is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2022, the aggregate amount of temporary differences associated with these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,012,870,000 (2021: HK$963,906,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised:		
4,000,000,000 (2021: 4,000,000,000) ordinary shares of HK$0.025 (2021: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
713,616,520 (2021: 713,616,520) ordinary shares of HK$0.025 (2021: HK$0.025) each	**17,840**	17,840

There were no movements in the Company's issued ordinary share capital and share premium during the years ended 31 December 2022 and 2021.

Subsequent to 31 December 2022, 55,000,000 shares were issued for cash at a subscription price of HK$0.09 per share pursuant to the exercise of share options (as detailed in notes 24 and 25 to the financial statements).

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted on 19 December 2012, became effective on the date of adoption and remained in force for 10 years from that date.

The purposes of the Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, executive and non-executive directors and others; (b) strengthen the relationships between the Group and its employees and directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate eligible participants to assist in the development and expansion of the Group.

The eligible participants are any executives or non-executive directors or employees (full-time or part-time) of any member of the Group and any other persons whether or not employees (full-time or part-time) or directors of any member of the Group who, in the sole discretion of the board of directors of the Company (the "Board"), have contributed or are likely to contribute to the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

24. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board and may commence and end on any dates as determined by the Board but shall in any event end not later than 10 years from the date upon which the share option is granted.

The exercise price of the share options is determinable by the Board, but must be at least the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (2) the average of the closing prices 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 (3) the par value of the Company's shares.

The movements in the Company's share options during the years ended 31 December 2022 and 2021 were as follows:

	Exercise price HK$ per share	**Number of options** '000
At 1 January 2021, 31 December 2021 and 1 January 2022	–	–
Granted during the year	0.09	60,000
Exercised during the year	0.09	(55,000)
At 31 December 2022 *(note)*	0.09	5,000

Note: The exercise period of the share options outstanding at the end of the reporting period is from 2 December 2022 to 1 December 2025. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.082 per share (2021: no share options were exercised).

24. SHARE OPTION SCHEME (CONTINUED)

The fair value of the share options granted during the year of HK$1,822,000 (HK3.3 cent each) (2021: Nil) was recognised as a share option expense during the year ended 31 December 2022.

The fair value of equity-settled share options granted during the year ended 31 December 2022 was estimated as at the date of grant using a binomial model. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	65
Risk-free interest rate (%)	3.814
Expected life of share options (year)	3
Share price (HK$ per share)	0.085

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of share options granted was incorporated into the measurement of fair value.

55,000,000 share options exercised during the year ended 31 December 2022 would result in the issue of 55,000,000 ordinary shares of the Company and raising new capital of HK$4,950,000 (before expenses), as further detailed in note 25 to the financial statements.

At as 31 December 2022, the Company had 5,000,000 share options outstanding under the Scheme. Exercise in full of the remaining share options, under present capital structure of the Company, would result in the issue of 5,000,000 additional ordinary shares of the Company and raising additional capital of HK$450,000 (before expenses).

The Scheme was lapsed on 18 December 2022 but the outstanding share options would remain exercisable pursuant to the terms of the Scheme.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Share premium account

A special resolution was passed at the annual general meeting of the Company held on 14 June 2022 to the effect of cancelling an amount of HK$400,000,000 standing to the credit of share premium account of the Company and the entire credit amount arising from such cancellation to offsetting the equivalent debit amount of accumulated losses of the Company.

Further details were disclosed in the circular of the Company dated 11 May 2022 and the announcement of the Company dated 14 June 2022.

Share option reserve

The share option reserve comprises the value of share options granted which are yet to be exercised or exercised but not yet capitalised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the share options are exercised and the respective shares are issued, or be transferred to retained profits should the related share options expire or be forfeited.

Contributed surplus

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserve

In accordance with the relevant regulations applicable in the PRC, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to the statutory reserve funds, which are non-distributable, before profit distributions to shareholders.

Other reserve

The balance at 31 December 2022 represented proceeds received from exercise of share options but the respective shares have yet been issued. Pursuant to the terms of the Scheme, the latest time for issue of new share should be within 10 business days from the date upon receipt of subscription monies from the option holders.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions:

(i) During the year ended 31 December 2022, interest on a loan from a director, Ho Kam Hung, of HK$1,485,000 (2021: HK$1,548,000) was settled through the balance due to a director.

(ii) During the year ended 31 December 2022, a director's fee of HK$2,400,000 (2021: HK$2,400,000) included in accruals were settled through the balance due to a director.

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 HK$'000	2021 HK$'000
Within operating activities	**(534)**	(401)
Within financing activities	**(1,303)**	(1,877)
	(1,837)	(2,278)

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Changes in liabilities from financing activities

	Lease liability HK$'000	Loan from a director HK$'000	Due to a director HK$'000	Long term other payables HK$'000
At 1 January 2022	**1,303**	**78,056**	**149,036**	**140,763**
Changes in financing cash flows	**(1,303)**	**–**	**(32,184)**	**–**
Foreign exchange movement	**–**	**(5,759)**	**(6,821)**	**(8,724)**
Interest expenses *(note 6)*	**25**	**–**	**1,484**	**–**
Interest paid classified as operating cash flows	**(25)**	**–**	**–**	**–**
Accruals *(note (a)(ii))*	**–**	**–**	**2,400**	**–**
Reclassification from current other payable	**–**	**–**	**–**	**13,964**
At 31 December 2022	**–**	**72,297**	**113,915**	**146,003**

	Lease liability HK$'000	Loan from a director HK$'000	Due to a director HK$'000	Long term other payables HK$'000
At 1 January 2021	3,180	76,136	157,891	137,969
Changes in financing cash flows	(1,877)	–	(15,764)	–
Foreign exchange movement	–	1,920	2,961	2,794
Interest expenses *(note 6)*	116	–	1,548	–
Interest paid classified as operating cash flows	(116)	–	–	–
Accruals *(note (a)(ii))*	–	–	2,400	–
At 31 December 2021	1,303	78,056	149,036	140,763

27. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, at the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2022 HK$'000	2021 HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**139**	139

28. COMMITMENTS

At the end of the reporting period, the Group had contracted, but not provided for, commitments in respect of construction works and design costs relating to investment properties amounting to approximately HK$1,478,000 (2021: HK$1,596,000) in total.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2022	2021
	HK$'000	HK$'000
Trade receivables	**12,334**	21,611
Financial assets included in prepayments, deposits and other receivables	**11,844**	13,346
Cash and bank balances	**84,874**	93,204
	109,052	128,161

Financial liabilities

	Financial liabilities at amortised cost	
	2022	2021
	HK$'000	HK$'000
Trade payables	**2,075**	2,121
Financial liabilities included in other payables and accruals	**30,689**	43,654
Loan from a director	**72,297**	78,056
Due to a director	**113,915**	149,036
Long term other payables	**146,003**	140,763
Lease liability	**–**	1,303
	364,979	414,933

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loan from a director, lease liability and cash and bank balances. The Group has various other financial assets and liabilities such as trade and other receivables, trade payables, other payables and accruals and amount due to a director, which arise directly from its operations.

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

Credit risk

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December:

	2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	12,334	12,334
Financial assets included in prepayments, deposits and other receivables					
– Normal**	11,844	–	–	–	11,844
Cash and bank balances					
– Not yet past due	84,874	–	–	–	84,874
	96,718	–	–	**12,334**	**109,052**

	2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	21,611	21,611
Financial assets included in prepayments, deposits and other receivables					
– Normal**	13,346	–	–	–	13,346
Cash and bank balances					
– Not yet past due	93,204	–	–	–	93,204
	106,550	–	–	21,611	128,161

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 16 to the financial statements.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liability and bank loans. The directors of the Company have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2022		
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**2,075**	**–**	**2,075**
Financial liabilities included in other payables and accruals	**30,689**	**–**	**30,689**
Loan from a director	**–**	**73,787**	**73,787**
Due to a director	**–**	**113,915**	**113,915**
Long term other payables	**–**	**146,318**	**146,318**
	32,764	**334,020**	**366,784**

	2021		
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	2,121	–	2,121
Financial liabilities included in other payables and accruals	43,654	–	43,654
Loan from a director	–	79,604	79,604
Due to a director	–	149,036	149,036
Long term other payables	–	141,101	141,101
Lease liability	1,327	–	1,327
	47,102	369,741	416,843

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances and equity attributable to equity holders of the Company, which comprises share capital and reserves as detailed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is interest-bearing borrowings divided by total assets. Interest-bearing borrowings included lease liability and a loan from a director. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **HK$'000**	2021 HK$'000
Lease liability	**–**	1,303
Loan from a director	**72,297**	78,056
Total interest-bearing borrowings	**72,297**	79,359
Total non-current assets	**4,277,572**	4,566,646
Total current assets	**138,387**	160,445
Total assets	**4,415,959**	4,727,091
Gearing ratio	**0.02**	0.02

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**290,218**	290,218
Due from subsidiaries	**176,146**	177,098
Right-of-use asset	**–**	1,419
Total non-current assets	**466,364**	468,735
CURRENT ASSETS		
Deposits and other receivables	**18**	569
Cash and bank balances	**77**	5,994
Total current assets	**95**	6,563
CURRENT LIABILITIES		
Other payables and accruals	**(4,490)**	(5,518)
Tax payable	**(1,148)**	(1,148)
Lease liability	**–**	(1,303)
Total current liabilities	**(5,638)**	(7,969)
NET CURRENT LIABILITIES	**(5,543)**	(1,406)
TOTAL ASSETS LESS CURRENT LIABILITIES	**460,821**	467,329
NON-CURRENT LIABILITIES		
Long term other payables	**(27,861)**	(27,141)
Due to a director	**(21,246)**	(20,800)
Total non-current liabilities	**(49,107)**	(47,941)
Net assets	**411,714**	419,388
EQUITY		
Share capital	**17,840**	17,840
Reserves *(note)*	**393,874**	401,548
Total equity	**411,714**	419,388

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	**412,127**	**547,326**	**–**	**–**	**(557,905)**	**401,548**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(14,446)**	**(14,446)**
Equity-settled share option arrangements *(note 24)*	**–**	**–**	**1,822**	**–**	**–**	**1,822**
Proceeds from exercise of share options *(note 25)*	**–**	**–**	**–**	**4,950**	**–**	**4,950**
Share premium reduction *(note 25)*	**(400,000)**	**–**	**–**	**–**	**400,000**	**–**
At 31 December 2022	**12,127**	**547,326**	**1,822**	**4,950**	**(172,351)**	**393,874**
At 1 January 2021	412,127	547,326	–	–	(544,596)	414,857
Loss and total comprehensive expense for the year	–	–	–	–	(13,309)	(13,309)
At 31 December 2021	412,127	547,326	–	–	(557,905)	401,548

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company 2022	2021	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited	BVI/Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	PRC/ Mainland China	US$2,000,000 Registered capital *(Note a)*	100	100	Property development, investment and management
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note b)*	100	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	100	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/ Mainland China	HK$1,500,000 Registered capital *(Note a)*	100	100	Inactive
HK Zheng Da	Hong Kong	HK$4 Ordinary *(Note c)*	25	25	Investment holding
GZ Zheng Da	PRC/ Mainland China	RMB150,000,000 Registered capital *(Notes a, c, d and e)*	25	25	Property development, investment and management

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

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

a. CQ Smart Hero, 廣州遠朋天成電子科技有限公司and GZ Zheng Da are wholly-foreign-owned enterprises established in the PRC.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the subject company, or to participate in any distribution on winding-up.

c. The Group entered into a conditional sale and purchase agreement on 9 October 2007 (as amended on 26 October 2007) (the "Acquisition Agreement") with two private companies to acquire the entire equity interest in the Zheng Da Group (the "Acquisition"). The acquisition of the entire equity interest in the Zheng Da Group was to be completed in four tranches. The first tranche was completed on 17 December 2007 and, as a result, the Group acquired a 25% equity interest in HK Zheng Da. According to the Acquisition Agreement and related supplementary agreements executed thereafter (the latest of which was executed in 28 June 2022), the Group had the currently exercisable right to acquire the remaining 75% equity interest in HK Zheng Da anytime on or before 30 June 2023 as further discussed below. In addition, the private company, which holds the remaining 75% equity interest in the Zheng Da Group, has given an undertaking to the Company that its board will abide to all voting instructions proposed by the Group for all resolutions and decisions initiated and made at meetings of both shareholders and board of directors of HK Zheng Da. Accordingly, the Group has (i) power over HK Zheng Da; (ii) exposure or rights to variable returns from its involvement with HK Zheng Da; and (iii) ability to use its power over HK Zheng Da to affect the amount of its returns. On this basis, the directors of the Company considered it is appropriate to account for both HK Zheng Da and GZ Zheng Da as subsidiaries of the Group with effect from 17 December 2007, the date of completion of acquisition of 25% equity interest in the Zheng Da Group.

   In accordance with the Acquisition Agreement, the second, third and fourth tranches (the "Remaining Tranches") had to be completed on or before 31 May 2008, 31 October 2008 and 31 March 2009, respectively. Should the Remaining Tranches not be completed according to the dates specified above, a deferred interest would be incurred which was calculated based on a rate of 4% per annum on the relevant consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant consideration was settled by the Company or 31 March 2009, whichever the earlier. At the end of the reporting period and up to the date of this report, the completion of the Remaining Tranches remained outstanding and the accrued aggregated deferred interest in aggregate of HK$25,837,000 (note 20) remained unsettled.

   During the current reporting period, the Company entered into an extension agreement on 28 June 2022 to extend the completion of the Remaining Tranches from 30 June 2022 to 30 June 2023. No deferred interest was required for this period of extension.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

d. Pursuant to the terms of the relevant joint venture agreement, HK Zheng Da is entitled to all of the profits and bears all of the losses of GZ Zheng Da.

e. Alleged "Liquidation Petition" against GZ Zheng Da

GZ Zheng Da's corporation information in public database indicates information of alleged "Liquidation Provisional Filed (清算備案)" ("Alleged Liquidation Provisional Filed")

Pursuant to the Provisional Rules of Public Notice of Corporate Information of the People's Republic of China (中華人民共和國企業信息公示暫行條例) newly enacted in October 2014, the Public Database of National Enterprise Credit Information (Guangdong) (全國企業信用信息公示系統（廣東）) (the "Public Database") on GZ Zheng Da downloaded in March 2015 revealed certain newly appeared information under the Provisional Filing Information Column (備案信息欄目) viz "Liquidation Information (清算信息)", "Liquidation Officer-In-Charge He Wei (清算負責人何偉)" and "Member of Liquidation Group Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)".

With effect from August 2016, the Public Database was restructured as the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) with a more user friendly reporting format. The report of GZ Zheng Da downloaded from the new system in February 2023 (the "Report") contained similar information as disclosed in former reports including "Member of Liquidation Group Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)".

In addition, the Report reveals that the registration status (登記狀態) of GZ Zheng Da is "Enterprise in Operation (in Business) (在營（開業）企業)" and the authorised representative (法定代表人) is "Ho Kam Hung", who is a director of the Company.

According to the Corporate Registration Information Memorandum (企業登記資料包) obtained from the Guangzhou Administration for Industry and Commerce Bureau (廣州市工商行政管理局) (the "GZ Commerce Bureau") by GZ Zheng Da (being exclusive information to the subject corporation), a third party namely Guangdong Guoding Law Firm (廣東國鼎律師事務所) ("Guoding") filed an Application Form for Notification of Change (Provisional Filing) of Foreign Investment Enterprise (外商投資企業變更（備案）登記申請書) (the "Application Form"), together with a copy of purported order of the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院決定書) (the "Purported Court Order") as supporting document, to the Commerce Bureau without the prior acknowledgment nor consent of GZ Zheng Da in September 2011.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

Alleged Liquidation Provisional Filed (continued)

The Application Form requested for filing of "Provisional Filing of Member of the Liquidation Group (清算組成員備案)" and "Provisional Filing of Liquidation Officer-In-Charge (清算負責人備案)" in the corporate information database of GZ Zheng Da at the GZ Commerce Bureau. Copy of the Purported Court Order stated that "the court has appointed Guoding as the liquidation group (the "Alleged Liquidator") to proceed with the liquidation of GZ Zheng Da in accordance with the law (已指定國鼎組成清算組，依法對廣州正大進行清算)".

According to the relevant provisions of the Rules of Administration of Company Registration of the People's Republic of China (中華人民共和國公司登記管理條例) (the "Company Registration Rules"), the provisional filing of liquidation information with the Commerce Bureau requires the consent of the subject company (with company chop shown on the application form) and other requisite legal documents, such as company dissolution documents (公司解散證明文件) and compulsory liquidation order granted by the People's Court (人民法院強制清算決定書), as supporting documents. No such supporting documents nor GZ Zheng Da's company chop were found on the Application Form submitted by Guoding.

After taking PRC legal advice, both the Company and GZ Zheng Da consider that the Application Form submitted to the Commerce Bureau by Guoding violates the relevant provisions of the Company Registration Rules to a material extent and the provisional filing under concern should be rendered "application declined (申請退回)" in accordance with the relevant regulations of the Company Registration Rules.

GZ Zheng Da confirmed to the Company that it had never authorised, appointed or instructed Guoding or He Wei to file or handle such application, nor granted consent to such application thereafter.

GZ Zheng Da and HK Zheng Da, being holding 100% equity interest of GZ Zheng Da, also confirmed to the Company that they had never been served any statements of instigation of proceedings, notice of summons or notice of judgement, orders (including the Purported Court Order or order of a similar nature) or written judgement(s) in relation to liquidation petition or of a similar nature (the "Alleged Liquidation Petition") from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") in accordance with the prevailing PRC laws and regulations and due judicial procedures.

Both the Company and GZ Zheng Da further confirmed that they were unable to find any "public official record" about the Alleged Liquidation Petition (not even the relevant case number) from the official database or public notice board of the Guangzhou Court so far.

According to the Purported Court Order, it appeared that the Alleged Liquidation Petition was instituted by 廣州市越秀房地產開發經營有限公司("越房私企"), a third party neither had any equity or any other interests in GZ Zheng Da nor was a creditor of GZ Zheng Da. Hence, the PRC legal counsel of GZ Zheng Da considered that 越房私企 was unlikely to meet the pre-requisite conditions for filing a liquidation petition against GZ Zheng Da pursuant to the prevailing PRC company laws and liquidation procedures.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

Alleged Liquidation Provisional Filed (continued)

Based on the record and facts known to the Company and GZ Zheng Da, and having taken PRC legal advice, both the Company and GZ Zheng Da are of the view that (i) the legal proceedings of the Alleged Liquidation Petition (if any) do not conform to the legal provisions and judicial procedures in the PRC; (ii) the Purported Court Order (if any) is not effective disposition of the matter to which it purportedly relates and thus is invalid and void; and (iii) the purported authority of the Alleged Liquidator is derived from the Purported Court Order which is invalid and void, and (iv) Guoding does not have the lawful authority to proceed with the liquidation of GZ Zheng Da or file corporate information about GZ Zheng Da with the GZ Commerce Bureau (or for any other purposes) for and on behalf of GZ Zheng Da.

Further details about the lawful authority of Alleged Liquidator in questions were disclosed in the Company's announcement dated 23 March 2013.

In May 2021, GZ Zheng Da received a written judgement (民事裁定書) from the Guangzhou Court. The written judgement granted an order to the effect that the Alleged Liquidation Petition pleaded by 越房私企 was turned down (駁回強制清算申請裁定) (the "Liquidator Dismissal Order (駁回裁定)") on the grounds that "the two co-operative partners of GZ Zheng Da had major disputes on company dissolution or not, major assets and equity interest matters while such disputes had remained not yet on trial or arbitrated for affirmation at the court (雙方股東對於廣州正大是否發生解散事由、公司主要財產以及公司股東股權尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

In the Liquidator Dismissal Order, the Guangzhou Court ascertained that GZ Zheng Da remained "in operation (在業)" and that HK Zheng Da had 100% equity interest in GZ Zheng Da.

越房私企 submitted an appeal to the Liquidator Dismissal Order (the "Dismissal Order Appeal") in late May 2021 as permissible by law. The Dismissal Order Appeal was heard in January 2022 but ruling was not yet made up to the date of approval of these financial statements.

Taking into account of the facts and legal grounds stated in the Liquidation Dismissal Order and the opinion given by PRC legal counsel and advisors, the Company remains optimistic in obtaining a favourable judgement in the Dismissal Order Appeal.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice

Since 2003, GZ Zheng Da had been granted by the former Guangzhou Municipal Administration of National Resources and Property Bureau (廣州市國土資源和房屋管理局) ("Former Property Bureau"), the Qualified Person for Demolition and Relocation (合資質拆遷人) (the "Qualified Person") (which was required to demonstrate substantial capital resources, property development plan on hand, concrete property demolition and relocation plan pursuant to the provisions of Rules of Management of Urban Property Demolition and Relocation of Guangzhou Municipality (廣州市城市房屋拆遷管理條例) (the "Demolition Management Rules")) and the Qualified Contractor for Demolition and Relocation (合資質拆遷實施單位) (the "Qualified Contractor") (which was required to demonstrate substantial hands-on experience in property demolition and relocation projects and hiring extensive construction and engineering professionals pursuant to the provisions of the Demolition Management Rules) to the effect that GZ Zheng Da was empowered to demolish a property located in Yuexiu District within about one year under the licence of a property demolition and relocation permit (房屋拆遷許可證) (the "Demolition Permit").

Since then, GZ Zheng Da applied for the extension of the Demolition Permit once every year and the Former Property Bureau customarily renewed the Demolition Permit and the notice of extension of property demolition and relocation (房屋拆遷延期公告) (the "Demolition Extension Notice") every subsequent year.

The Demolition Extension Notices issued since 2014 contained new clauses which included, inter alia, the Alleged Liquidator in addition to GZ Zheng Da which remained as the primary Qualified Person (第一拆遷人) and primary Qualified Contractor (第一拆遷實施單位). The Demolition Extension Notices also put a remark that "pursuant to the Purported Court Order, the Guangzhou Court nominated Guoding to proceed with the liquidation of GZ Zheng Da in accordance with the laws, and the demolition activities should be executed by the liquidation group" (collectively the "New Clauses").

GZ Zheng Da confirmed to the Company that it had no knowledge of the New Clauses until the renewal of the said extension notices nor concurred with such New Clauses thereafter and hence raised objection to the Former Property Bureau about the imposition of the New Clauses. No formal reply had been obtained from the Former Property Bureau so far.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice (continued)

After seeking PRC legal advice, both the Company and GZ Zheng Da consider that (i) both the Demolition Permits and the Demolition Extension Notices granted to GZ Zheng Da are legally valid permit and notices, respectively, despite their legal defects; (ii) the Guangdong Provincial Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) ("Yuexiu Court"), the Guangzhou Court and the Former Property Bureau all accept GZ Zheng Da as a separate legal entity as well as a qualified litigation (適格訴訟主體); (iii) GZ Zheng Da remains as the Qualified Person and the Qualified Contractor and therefore is eligible to proceed the demolition and relocation activities as empowered by the Demolition Permit; (iv) the purported authority of the Alleged Liquidator is derived from the Purported Court Order which is invalid and void (please refer to the section headed "Alleged Liquidation Provisional Filed" above for further details); (v) the capacity of the Alleged Liquidator does not exist until and when Guoding suspends the legal representative of GZ Zheng Da; (vi) the Alleged Liquidator technically cannot co-exist with GZ Zheng Da to engage in the same business activities; (vii) a liquidator is not empowered to engage in the businesses other than those specified under Clause 184 of Companies Law of People's Republic of China (中華人民共和國公司法), which does not include demolition and relocation businesses; (viii) a liquidator does not possess the pre-requisite qualifications (特定資質) and hands-on expertise in engaging in demolition and relocation businesses as required under the provisions of the Demolition Management Rules; and (ix) the Purported Court Order (without prejudice on its legality), fundamentally does not provide that "the demolition activities should be executed by the liquidation group".

Since 2014, both the Demolition Permit and the Demolition Extension Notice renewed every subsequent year, including the latest one renewed in December 2022, contained the New Clauses. GZ Zheng Da continued to proceed the demolition and relocation activities as usual.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

A Purported Notice issued by the Alleged Liquidator

In June 2017, HK Zheng Da and one of its three directors received a notice (告知函) (the "Purported Letter") issued by the Alleged Liquidator albeit the operation of GZ Zheng Da remained as usual and normal when the Purported Letter was issued.

The Purported Letter, dated 16 June 2017, was issued by the Alleged Liquidator and the addressees are HK Zheng Da and 越房私企 (collectively the "Addressees"). 越房私企 was an independent third party to GZ Zhang Da and did not have any equity or other interest therein. HK Zheng Da and one of its three directors received the Purported Letter on or about 21 June 2017.

The Purported Letter was the first notice or letter that HK Zheng Da (holding 100% equity interest in GZ Zheng Da) so far received from the Alleged Liquidator, some six years from its alleged constitution in 2011.

The Purported Letter sought to convey, inter alia, the following messages (without prejudice on its validity) to the Addressees: (i) the Alleged Liquidator was constituted under a mandate granted by the Guangzhou Court pertaining to a members' compulsory liquidation petition (apparently lodged by 越房私企) (the "Purported Petition"); (ii) the Alleged Liquidator was prepared to make submission to the Guangzhou Court for balloting the appointment of appraisal and auction agents to appraise and tender the assets of GZ Zheng Da for auction which include, inter alia, two parcels of land with an aggregate gross area of about 16,800 square metres and a 2-storey non-permanent commercial podium; and (iii) the Addressees were urged to furnish any related information or proposal to the Alleged Liquidator within 15 days from the date of the Purported Letter.

According to then record downloaded from the official website of the GZ Commerce Bureau, the co-operative partners of GZ Zheng Da are HK Zheng Da and 廣州市越秀房地產開發經營公司("越秀國企") a state-owned enterprise under the control of the Yuexiu District People's Government (越秀區人民政府) and Sino partner of GZ Zheng Da. Pursuant to the terms of relevant joint venture agreement (as revised) executed between HK Zheng Da and 越秀國企, HK Zheng Da held 100% attributable interest in GZ Zheng Da.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

A Purported Letter issued by the Alleged Liquidator (continued)

To the best knowledge and belief and having made all reasonable enquiries, the Company confirms that 越房私企 (i) is not a registered Sino partner of GZ Zheng Da; (ii) does not have any attributable interest in GZ Zheng Da; and (iii) is not a creditor of GZ Zheng Da. 越房私企 is not 越秀國企.

Pursuant to the relevant provisions of the PRC laws and regulations, "the liquidation group shall finalise the liquidation within six months from the date of constitution in the case the liquidation is ordered by the People's Court (人民法院). If the liquidation is not yet finalised within six months under particular circumstances, the liquidation group shall apply for extension of its mandate at the People's Court (人民法院)". Hence, if the liquidation group is unable to finalise the liquidation within six months and the extension of mandate is not being granted by the People's Court, the liquidation group shall be dissolved by law.

The PRC legal counsel of HK Zheng Da noted that the Alleged Liquidator was unable to offer any evidence for the renewal of its mandate (without prejudice on its validity) in separate court proceedings at the Guangzhou Court in or about June 2017.

Further to the views expressed in above, the PRC legal counsel of HK Zheng Da hence advised as follows: (i) the Alleged Liquidator does not possess a valid mandate to proceed with the liquidation of GZ Zheng Da nor to issue the Purported Letter; (ii) even if there was a renewal of the Alleged Liquidator's mandate, the Purported Letter is in itself ultra vires as it does not mention whether the liquidation proposal (清算方案) has been approved by co-operative partners (including HK Zheng Da), creditors or the court as required by the relevant PRC law's and liquidation procedures.

HK Zheng Da, GZ Zheng Da and their respective directors have not received any further notice or letter from the Alleged Liquidator since June 2017.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	2022	2021
Percentage of equity interest held by non-controlling interests	**75%**	75%

	2022 HK$'000	2021 HK$'000
Profit for the year allocated to non-controlling interests	**30,777**	24,170
Dividends paid to non-controlling interests	**–**	–
Exchange differences on translation of foreign operation	**(169,430)**	55,812
Accumulated balances of non-controlling interests at the reporting date	**2,147,553**	2,286,206

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2022 HK$'000	2021 HK$'000
Profit for the year	**41,036**	32,227
Total comprehensive income/(expense) for the year	**(184,871)**	106,643
Current assets	**238,918**	258,721
Non-current assets	**3,887,223**	4,135,825
Current liabilities	**(82,817)**	(95,068)
Non-current liabilities	**(1,179,920)**	(1,251,252)
Net cash flows from/(used in) operating activities	**12,017**	(3,736)
Net cash flows from/(used in) financing activities	**(12,169)**	3,723
Net decrease in cash and cash equivalents	**(152)**	(13)

33. LITIGATIONS

(a) In December 2008, GZ Zheng Da, an indirect subsidiary of the Company, served a writ of summons against 越房私企 at the Yuexiu Court pleading inter alia, for endorsement of disqualification of 越房私企 from the sino partnership (if any) of the subject joint venture. The judgement was granted by the Yuexiu Count, in July 2009 with rulings endorsing, inter alia, the request made by GZ Zheng Da.

In August 2009, 越房私企 filed an appeal petition (the "Zheng Da Appeal") at the Guangzhou Court. A hearing was made in October 2009 and no further hearing had been made since then.

Both GZ Zheng Da and HK Zheng Da confirmed that both parties had not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures up to the date of approval of these financial statements.

Since then, both GZ Zheng Da and HK Zheng Da had dialogues with the relevant court officials from time to time and had been looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Zheng Da Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures, but no such verdict or directive was received in proper manner so far.

Taking into account the rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Zheng Da Appeal, and the opinion given by the PRC legal counsel and advisors, the Company remains optimistic in obtaining a favourable judgement in the Zheng Da Appeal.

Further details about the developments of, and events incidental to, the Zheng Da Appeal were disclosed in the Company's announcements dated 11 February 2010, 22 April 2010, 16 August 2010 and 23 March 2011 and the section headed "Group Structure of GZ Zheng Da" as disclosed in the heading named "Further Information" in the Company's annual report for the year ended 31 December 2022.

33. LITIGATIONS (CONTINUED)

(b) In October 2013, the Property Bureau issued two rulings on property demolition (房屋拆遷決定書) (the "Compensation Rulings") to GZ Zheng Da pertaining to two resettlement and compensation cases for property demolition (房屋拆遷補償安置個案). The Compensation Rulings concluded that GZ Zheng Da was liable to pay a one-off cash compensation in an aggregate amount of approximately RMB27,600,000 (the "Cash Compensation") to a group of nine claimants (the "Claimants").

In March 2014, the Guangzhou Municipal People's Government (廣州市人民政府) (the "Guangzhou Government") issued two rulings on administrative review (行政覆議決定書) revoking the Compensation Rulings. As a result, GZ Zheng Da's obligation to pay the Cash Compensation was discharged.

In June 2015, the Guangzhou Court issued two rulings on administrative proceedings (行政裁定書) declining the appeal made by the Claimants against the Guangzhou Government's rulings.

In December 2015, the Guangdong Provincial Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") issued two rulings on administrative proceedings (行政裁定書) to the effect that (i) the Guangzhou Court's rulings were rescinded; and (ii) the Guangzhou Court was ordered to re-hear the Claimants' appeal against the Guangzhou Government's rulings.

In May 2017, the Guangzhou Railway & Transportation Intermediate Court (廣州鐵路運輸中級法院) (the "Railway Court"), which was primarily engaged in cases pertaining to land and property disputes and under the direction of the Guangdong Court, re-heard the case and declined the appeal made by the Claimants against the Guangzhou Government's rulings. The Claimants then filed a further appeal against the Railway Court's rulings (the "Second Appeal").

The Second Appeal was set aside by the Claimants. Alternatively, at the request of the Claimants, the Guangzhou Municipal Urban and Rural Bureau of Construction (廣州市住房和城鄉建設局) (the "Urban Bureau of Construction") re-heard the cases and issued two revised rulings (the "Revised Compensation Rulings") in 2021. Pursuant to the Revised Compensation Rulings, it was ruled that, inter alia, GZ Zheng Da was liable to pay an one-off cash compensation in an aggregate amount of approximately RMB18,500,000 (equivalent to approximately HK$20,905,000) plus accrued interests to the Claimants.

In April 2021, the Claimants instituted a plead at the Railway Court against the Urban Bureau of Construction and demanded for higher interest rate for accrued interest computation. In July 2021, GZ Zheng Da served another writ of summons at the Railway Court pleading, inter alia, for rescission of the Revised Compensation Rulings and denial of the pleads made by the Claimants.

33. LITIGATIONS (CONTINUED)

(b) (continued)

The Railway Court consolidated the two summons and made rulings in October 2021 declining all pleads raised by both GZ Zheng Da and the Claimants.

Both GZ Zheng Da and the Claimants instituted same pleads for appeal (the "Settlement Appeal") at the Guangdong Court thereafter and the Settlement Appeal was not yet heard up to the date of approval of these financial statements.

Taking into account the facts and legal grounds substantiated, and the opinion given by the PRC legal counsel and advisers, the Company remains optimistic in obtaining a favourable judgement in the Settlement Appeal.

34. RELATED PARTY TRANSACTIONS

In addition to the guarantee, related party transactions and balances with related parties as detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) The Group incurred an interest expense of HK$1,485,000 (2021: HK$1,548,000) in respect of a loan from a director, Ho Kam Hung, during the year. Details of a loan from a director were disclosed in note 22 to the financial statements.

(b) A license fee of HK$458,000 (2021: Nil) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive director of the Company. The above transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules and its details are disclosed in the report of the directors. The directors are of the opinion that the transaction was conducted in the ordinary course of business of the Group.

35. COMPARATIVE AMOUNTS

The comparative basic and diluted earnings per share attributable to ordinary equity holders of the Company has been re-presented in Hong Kong cents to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

Five-Year Group Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published/to be published audited financial statements and as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**30,283**	57,670	24,423	41,732	51,300
Profit/(loss) before tax	**54,950**	59,109	(440)	(78,805)	69,362
Income tax credit/(expense)	**(20,900)**	(28,128)	(4,498)	16,706	(19,093)
Profit/(loss) before non-controlling interests	**34,050**	30,981	(4,938)	(62,099)	50,269
Non-controlling interests	**(30,777)**	(24,170)	(1,638)	43,594	(38,280)
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**3,273**	6,811	(6,576)	(18,505)	11,989
Adjusted EBITDA*	**7,447**	29,301	1,575	5,436	22,813

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
TOTAL ASSETS	**4,415,959**	4,727,091	4,564,165	4,299,524	4,495,261
TOTAL LIABILITIES	**(1,394,436)**	(1,503,715)	(1,451,973)	(1,384,655)	(1,437,967)
NON-CONTROLLING INTERESTS	**(2,147,553)**	(2,286,206)	(2,206,224)	(2,074,825)	(2,174,758)
	873,970	937,170	905,968	840,044	882,536

* Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes of fair value of investment properties.

Schedule of Property Interests

Particulars of the major properties in Mainland China held by the Group as at 31 December 2022 is as follows:

Investment Properties

Description		Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1.	The whole of Level 1, Level 2, Level 3, Level 4, Level 8, Level 11, and portion of Basement Level of Gang Yu Square Chiao Dong Road Chaotianmen Chongqing	Commercial	Medium	24,372	100
2.	The Land Parcels located to the east of Jiefang Road South, to the south of Daxin Road, to the north of Yede Road and to the west of Xieen Street, Yuexiu District, Guangzhou	Commercial	Medium	233,818	25

Guang Yu Square, Chaotiman, Yuzhong District, Changqing
重慶市渝中區朝天門港渝廣場

Entrance at G/F, Guang Yu Square
港渝廣場地下入口

Entrance at 8/F, Guang Yu Square
港渝廣場八樓入口

Re-Development Site, Yuexiu District, Guangzhou
廣州市越秀區待重建地盤

Re-Development Site To-date
待重建地盤現貌

Conceptual Drawing of the GZ Project upon Completion (designed in 2020)
廣州項目竣工概念圖（2020年設計）