SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 00755

2023 Annual Report

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Long Tianyu (Appointed on 16 June 2023)
Mr. He Haiyang (Resigned on 16 June 2023)

Non-executive Directors

Ms. Wang Zheng
Mr. Zou Yang (Appointed on 24 August 2023)
Mr. Guo Haomiao
(Appointed on 26 March 2024)
Mr. Cui Di (Resigned on 24 August 2023)
Mr. Huang Jiawei (Resigned on 26 March 2024)

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Wang Yuzhou
Mr. Chen Shuang, *JP*
(Vacated on 26 March 2024)

COMMITTEES

Audit Committee

Mr. Wang Yuzhou *(Chairman)*
Dr. Guan Huanfei
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Chen Shuang, *JP*
(Vacated on 26 March 2024)

Remuneration Committee

Mr. Cao Hailiang *(Chairman, appointed on 26 March 2024)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Wang Yuzhou
Dr. Lin Xinzhu (Appointed on 26 March 2024)
Mr. Chen Shuang, *JP (Chairman)*
(Vacated on 26 March 2024)

Nomination Committee

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Dr. Guan Huanfei
Mr. Cao Hailiang
Dr. Lin Xinzhu (Appointed on 26 March 2024)
Mr. Chen Shuang, *JP*
(Vacated on 26 March 2024)

PRINCIPAL BANKERS

China Citic Bank International Limited
Shanghai Huarui Bank
Bank of Communication
China Minsheng Bank

SOLICITORS

Stevenson, Wong & Co.
39/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2429-2430, 24/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Huang Yuhui
Mr. Lau Yin Fung Terence

AUDITOR

PKF Hong Kong Limited

COMPANY SECRETARY

Mr. Lau Yin Fung Terence

COMPANY WEBSITE

http://www.zendaiproperty.com/

STOCK CODE

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CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**", the "**Year**" or "**Year Under Review**").

During the Year Under Review, the Group recorded a turnover of approximately HK$380,100,000, representing a decrease of HK$16,521,000 as compared with a turnover of approximately HK$396,621,000 for the year ended 31 December 2022. The Group's projects are mainly at their planning stages, and the revenue of the Group for the Reporting Period was mainly attributed to property rental and management service and hotel operations.

Profit attributable to shareholders of the Company (the "**Shareholders**") during the Year Under Review was approximately HK$89,504,000 as compared with the profit attributable to Shareholders of approximately HK$2,883,611,000 for the year ended 31 December 2022. Basic earnings per share of the Company (the "**Share**") during the Year was HK$0.60 cents (basic earnings per Share for 2022: HK$19.38 cents). The Group recorded a decrease in profit for the year ended 31 December 2023 because one-off net gain on disposal of former subsidiaries was recognized in 2022, but no relevant one-off gain was recognized during the Reporting Period.

BUSINESS REVIEW

Shanghai Zendai developed a domestic business presence with Shanghai as the centre and the Yangtze River Delta as the core sector, radiating nationwide by relying on its complete construction, operation and management capabilities and the independent teams responsible for planning and development, investment promotion programming, operation and property management.

With the development and operation for multiple types of properties including residential, office buildings and complexes, Shanghai Zendai is committed to providing cities with a better living space and high-quality commercial operation services. Shanghai Zendai has developed a product series with the core brands of Himalayas Center, Thumb Plaza and Mandarin Palace, and has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

During the Year Under Review, revenue from hotel, property rental and management services constituted the Group's main source of revenue. As a result of the improved overall business environment, there was an improvement in the overall revenue of the Group as compared with last year.

During the Year Under Review, the Chinese market experienced an economic vitality recovery as the effects of the COVID-19 pandemic gradually reduced, but the foundation of the recovery was not yet solid. As a result, the recovery gradually slowed down. When it comes to the real estate sector, a temporary recovery was followed by a decrease in sales as a result of the sluggish confidence in real estate investment. The momentum of long-term housing demand further weakened with strong wait-and-see sentiment on the market. In terms of commercial properties, there was a recovery of market demand for shop leasing in key cities in year 2023. Thanks to this, the rents stabilized for high streets, and rallied for shopping malls, while the rent of office space declined as a result of the decline in the ability to afford rent of tenants of these spaces. Regarding property management, less projects were supplied, and the growth rate of external expansion tended to be conservative. Some property service companies focused on selling non-profit projects, and the profitability of the industry further declined.

The Group continuously improved capital and cost management, and further optimized its capital structure so as to alleviate its debt payment pressure through loan extension and debt restructuring. Efforts were made to improve the profitability of high-quality assets, which brought about more sound cash flow, thus ensuring the stable operation and development of various businesses. In focusing on the development of the three key business segments, namely property development, hotel operations and property rental, management and agency services, in the Year, the Group identified that it will continue to operate its core assets as follows: the Group will remain cautious about property development while focusing on promoting those existing planned projects to align with market situation; and will continue prioritizing the commercial property and hotel management, as well as property management services, as key businesses of the Group. Further, the Group will actively leverage characteristics of properties under its management and integrate high-quality resources related to those properties in order to create a stable profit stream for the development of the Group. At the same time, the Group will continue to enhance the core competitiveness in the property development and management, and proactively monitor new market opportunities so as to develop new driving force for the profit growth.

DEVELOPMENT DETAILS OF EACH BUSINESS SEGMENT ARE SET OUT BELOW:

Operations of Commercial Properties and Hotels Business

Adhering to the commercial operation brands such as "Zendai Thumb Plaza" and "Himalayas Center", the Group continued to strengthen its business management capabilities for enhancing its business brand value. The Group actively adjusted its business layout plan, and strengthened investment attraction and project promotion, which ensured the vitality and popularity of project operations.

During the Year, the operating revenue from commercial property and hotel operations in total amounted to approximately RMB328,068,000 (equivalent to approximately HK$363,470,000). During the Year, approximately 64% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 68%. Details of the operation of each commercial property and hotel project during the year ended 31 December 2023 are as follows:

Commercial project name	City	Interest attributable to the Group	Leasable area (Square metres)	Occupancy rate during the Year	Revenue during the Year (RMB'000)	(HK$'000)
Shanghai "Zendai Thumb Plaza"	Shanghai	100%	43,696	73%	77,540	85,907
Shanghai Himalayas Center*	Shanghai	45%	28,499	11%	15,161	16,797
Qingdao "Zendai Thumb Plaza"	Qingdao	100%	46,627	62%	21,963	24,333
Zendai Nantong Yicheng Thumb Plaza	Nantong	100%	37,399	83%	6,752	7,480
Yangzhou Commercial Project	Yangzhou	80%	14,644	100%	7,076	7,840
Total			**170,865**	**64%**	**128,492**	**142,357**

Hotel project name	City	Business model	Floor area (Square metres)	Number of guest room	Occupancy rate during the Year	Revenue during the Year (RMB'000)	(HK$'000)
Grand Mercure Shanghai Century Park	Shanghai	Cooperation	28,952	326	68%	36,687	40,645
Jumeirah Himalayas Hotel Shanghai*	Shanghai	Cooperation	60,452	414	68%	122,273	135,468
Himalayas Qingdao Hotel	Qingdao	Proprietary	27,914	208	67%	40,616	45,000
Total			**117,318**	**948**	**68%**	**199,576**	**221,113**

* Properties held by an associate of the Group, Shanghai Zendai Himalayas Company Ltd.* (上海証大喜瑪拉雅有限公司).

PROPERTY MANAGEMENT SERVICE

The Group's property management service segment has extended its business presence to 10 large and medium-sized cities under its service philosophy of "keep pace with the times, serve the best, focus on quality, and create impressions". The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the Reporting Period, Shanghai Zendai managed more than 30 projects with a total area of over 2.6 million square metres.

During the Reporting Period, area under management of the Group, was 1,105,367 square metres in total, with operating revenue of RMB116,956,000 (equivalent to approximately HK$129,576,000).

	Floor area	**Revenue during the Year**	
	(Square metres)	(RMB'000)	(HK$'000)
Shanghai Headquarters and others	107,292	58,567	64,885
Kunshan Branch	107,625	2,959	3,278
Nanjing Branch	647,008	34,620	38,356
Qingdao Branch	63,298	3,269	3,622
Qingpu Branch	86,774	5,108	5,660
Yantai Branch	35,000	34	38
Huamu Branch	58,370	12,399	13,737
Total	**1,105,367**	**116,956**	**129,576**

PROPERTY DEVELOPMENT PROJECTS

Affected by the macroeconomic environment and the Group's own capital structure, the property development business is being adjusted and optimized. Given that the market was on a sustained downward trajectory following a short recovery attributable to the end of COVID-19 pandemic and economic policy adjustments, the Group further adjusted its business plan to respond to the market situation and the national policies. The Group's major projects to be developed are as follows:

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). The project will be completed in three phases.

PROSPECTS AND FUTURE PLANS

In 2023, "significant changes in the relationship between supply and demand in the real estate market" set the tone for the property market, and governments at various levels frequently introduced policies to optimize the property market and promote the stable operation of the real estate market. However, factors such as the weak income expectations of the residents and the expectation of declining housing prices are still constraining the pace of the market's recovery. In 2024, the real estate industry as a whole will remain adjusting, and the continued optimization of the policy climate is expected to help further boost expectations, while the real estate enterprises will still face challenges in their operations.

Based on the new starting point of strategic transformation and development, the Group will continue to take reducing risks, stabilizing operations, promoting innovation and seeking development as the guiding principles for its development, and will embrace more development ideas, and carry out operations in a down-to-earth manner to seek progress while maintaining stability, so as to clarify new directions and paths for the Group's medium and long-term development. On the basis of continuous optimization of the capital structure, the Group will continue to optimize the asset allocation in response to key operational risks to eliminate local risks. The Group will also continue to focus on developing a new asset-light development model in which team-based development and operation of management services will be put into a core business position. By doing so, the Group could systematically promote the empowerment and transformation of the management team and the upgrading of the management mechanism to ensure growth of business in two aspects. The Group will actively leverage the operational experience of property development and commercial property management to improve the core competitiveness of new segments with the Group's characteristics and effective profitability. Further efforts will be made to strengthen the brand power and profitability of core projects so as to develop engines that could contribute regular profits to the Group.

Under the guidance of national policies and new market trends, the Group will continue to improve its commercialization capabilities under new consumption patterns and new scenarios, and will strive to explore new opportunities for the next stage of development to contribute to urban development and social advancement.

REVIEW OF OPERATION

The profit for the prior year was mainly attributable to the gain on disposal of subsidiaries while no one-off gain as above was recognized during the Reporting Period. In addition, the Company recorded a loss before income tax due to impairment of properties under development and completed properties held-for-sale and fair value loss of investment properties.

As the property development business is being adjusted and optimized, hotel, property rental and management service became the main source of revenue, resulting in continued shrink of the Group's overall revenue.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2023, the Group had a financial position with net assets value of approximately HK$1,249 million (As at 31 December 2022: approximately HK$1,189 million). Net current liabilities amounted to approximately HK$1,806 million (As at 31 December 2022: approximately HK$2,642 million) with current ratio decreasing from 0.45 times as at 31 December 2022 to approximately 0.37 times as at 31 December 2023. The capital structure of the Group consists of borrowings (including current and non-current borrowings), net of cash and bank balances, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2023, the Group had consolidated borrowings of approximately HK$1,769 million, of which HK$1,174 million was repayable within one year and HK$595 million was repayable more than one year. As at 31 December 2023, borrowings of the amount of HK$1,628 million (As at 31 December 2022: HK$1,971 million) bear interest at fixed interest rates ranging from 4.15% to 18.25% per annum (As at 31 December 2022: ranging from 4.5% to 24% per annum). As at 31 December 2023, the Group's cash and bank balances and pledged deposits were approximately HK$133 million (As at 31 December 2022: HK$272 million). The gearing ratio of the Group decreased from 2.09 times as at 31 December 2022 to 1.60 times as at 31 December 2023 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and cash equivalents and pledged deposits, divided by equity attributable to owners of the Company).

NET REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND AMOUNTS DUE FROM FORMER SUBSIDIARIES

The Group recognized net reversal of impairment losses on financial assets and amounts due from former subsidiaries of HK$441 million (2022: net impairment losses on financial assets and amounts due from former subsidiaries of HK$916 million) for the year ended 31 December 2023.

The management has reviewed the credit qualities of amounts due from former subsidiaries and has considered that there exist credit losses exposure since initial recognition of these receivables in view of (i) the net asset value (excluding investment in subsidiaries and inter-company balances) of certain former subsidiaries are negligible; and (ii) certain former subsidiaries have encountered material financial difficulties and need long period of time to develop and realize their properties. The management determined the impairment assessment of amounts due from former subsidiaries for financial reporting purposes in accordance with the expected credit loss model under HKFRS 9 Financial Instruments with the assistance of independent valuer. Details of the valuation are set out in notes 5(b) and 33 to the consolidated financial statements.

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year was approximately HK$nil (2022: HK$48,377,000). The decrease was primarily due to weakening demand in property market in the PRC and the Group's shift of focus to the hotel operations and property rental, management and agency services.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$294,455,000 (2022: HK$268,998,000), which remained stable overall.

Hotel operations

The turnover of this segment for the year was HK$85,645,000 (2022: HK$79,246,000). The increase was due to increase in occupancy rate after covid-19 epidemic fade away.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2023 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 31 December 2023 were mainly denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and restricted bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2023, the Group employed approximately 485 employees (2022: 592 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

GOING CONCERN

Due to the potential interaction of the multiple uncertainties regarding the plans and measures (details please refer to note 2.1 of the notes to the consolidated financial statements) of the Company and the possible cumulative effect on the consolidated financial statements, the Company's auditor (the "**Auditor**") has expressed that it is not possible for the Auditor to form an opinion on the consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Disclaimer**"), the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report of this annual report (terms use below are defined in the notes to the consolidated financial statements of this annual report).

Action plan to address the Disclaimer

*(i) Steps taken by the Group in the financial year ended 31 December 2023 ("**FY2023**")*

Measures to address the underlying issues resulted in the disclaimer of opinion on the Group's 2022 financial statements and the progress achieved

In FY2023, the Group has actively communicated with each financial institution in hope that they would not take action to require the Group to repay the Defaulted Borrowings immediately. With the constant efforts, although the financial institution of Qingdao Defaulted Borrowing entered the enforcement stage at the beginning of FY2023 and executed part of the pledged assets, they did not take further measures till this annual report. At the same time, the Group has been effectively communicating with the Associated Company, such that the Associated Company is willing to be engaged in the discussion regarding the restructuring plan with the Group, instead of taking any actions against the Group to exercise its rights to demand immediate payment of the Defaulted Restructured Borrowing.

The Group tried to distinguish the property development segment which involved Defaulted Borrowing to isolate the risk of default spreading to the hotel operations, properties rental, management and agency segments ("**Health Businesses**"). The Group actively communicated with the financial institution of Health Businesses and strived for more relaxed repayment conditions. In the middle of FY2023, the Group has (i) repaid one of the Defaulted Borrowings with principal of approximately HK$139 million, (ii) extended three borrowings with total principal of approximately HK$615 million (the repayment schedule of to 2024 June, 2024 September and 2025 June) and (iii) repaid other borrowings with aggregate principal of HK$127 million.

The Group actively promoted the provision of property construction and management services of the Relevant Projects and completed the sale of remaining inventories in FY2023 with expected amount to approximately HK$1.16 million. However, due to the constant downturn of the overall real estate market, such services have not yet been started.

The Group has kept making efforts to find investors and negotiate the sale or joint development of the property projects. In the first half of FY2023, the market is still in the recovery period after the end of the COVID-19, and the willingness to invest in the real estate of investors is relatively optimistic.

Costs reduction is also the Group's on-going focus. In FY2023, the Group has relocated the Hong Kong headquarter which saved several million operating costs. The Group streamlined organization structure which in total reduced approximately 40% or HK$81 million administrative expenses in FY2023.

Reason why the measures taken above and in prior years did not resolve the underlying issues

In 2020, the PRC Government has introduced a series of strict regulations on the real estate industry marked by the "Three Red Lines" policy. As the influence of COVID-19 expanded to the whole world, the macro-economic environment and the real estate industry has gone through multiple unprecedented challenges, among which, the real economy, in particular the consumption of residents, has been severely hit. In 2021, marked by the event of Evergrande, the majority of the real estate enterprises, including those leading ones, have entered into a long period of adjustment, and many of them are facing difficulties in cash flow. In addition, to deal with the impact of the COVID-19 on resident consumption and business operations, the Group still need to struggle with the stricter regulations of economic and financial policies. In FY2023, the COVID-19, which had not been expected to last so long, finally came to the end after three years, but the real far-reaching impact of the economic stagnation and changes in the external environment of the economy in recent years have gradually emerged. In FY2023, after a brief recovery of the economic activities, the economy turned down again resulting in the indepth adjustments in both the stock market and the real estate market.

In 2021, the Group has been aware of the historic changes in the real-estate industry and begun to adapt to the changes. Over the past few years, multiple measures have been taken to improve the Group capital structure and cash flow which has so far brought remarkable results.

In 2022, the Group has completed Myway Disposal with one of the substantial shareholders, which reduced the interest-bearing borrowings by approximately 60% or HK$4.1 billion and cut the finance cost by approximately 75% or a HK$735 million in FY2023, as a result, greatly improved the debt and equity structure.

Under the influence of the COVID-19 and real-estate industry adjustment, the Group has maintained the stability of its main business income and laid the foundation for its sustainable development.

In the backdrop of the multiple evolving factors in PRC and abroad over the past few years, the achievements above have assisted the Group in overcoming the difficulties and maintaining the sustainable operation although the crisis has not completely passed. The serious industry crisis has also made the investment funds in the market sharply reduced. The group failed to reach any satisfactory solution to settle the Defaulted Borrowings because of the lack of suitable investors. In addition, financial regulatory policies continue to be standardized, and the requirements for new loans and debt reschedule tend to be more stringent, which also makes it difficult for the Group to obtain new fund resources. In light of the above, the Group's plan to solve the going concern issue caused by Defaulted Borrowings and Defaulted Restructured Borrowing had encountered obstacles and failed to achieve the goals set.

*(ii) Measures to address the Disclaimer in the financial year ending 31 December 2024 ("**FY2024**") and the implementation status*

Certain measures are being taken by the Group to mitigate its liquidity pressure and to improve its financial position

(i) The Group will actively negotiate with the financial institutions that have not been defaulted on the adjustment of the repayment schedule. The Group planned to communicate with the financial institutions in the second quarter of FY2024 to reach a preliminary plan, and sign revised loan agreements in the third quarter of FY2024 to enter the repayment schedule;

(ii) The Group has been seeking for solutions to restructure the Defaulted Restructured Borrowing from one of the Group's shareholder ("**the Shareholder**"). The Group decided to prioritize the settlement of the Defaulted Borrowings with total amounts of approximately HK$2,300 million. During the FY2023, the Group has been preoccupied with the handover process and subsequent transitional issues after the completion of the Myway Disposal. After which, the Group moved on and actively engaged the Shareholder for a reboot of the negotiation upon the remaining defaulted borrowings from the Shareholder with total amounts of approximately HK$200 million.

In the first quarter of FY2024, the Group has conducted preliminary communication with the Shareholder regarding the framework of the Debt Restructuring Borrowing proposal, and moved on to the negotiation of the details in the second quarter of FY2024. The Group will initiate the corresponding approval procedures in order to make sure the completion of the signing of the debt restructuring agreement before the end of the FY2024;

(iii) the Group has prioritized the settlement of Qingdao Defaulted Borrowing from the Financial Institution. In the first quarter of FY2024, the Financial Institution has disposed 60% pledged equity interest of a subsidiary through judicial auction, and the outstanding amount has been reduced by approximately HK$91million to approximately HK$888 million.

Based on the undergoing negotiation, the Group has reached a preliminary consensus on the settlement of debt repayment with the Financial Institution, and are preparing to sell the remaining pledged assets to offset and resolve the Defaulted Borrowing. During the second quarter in FY2024, the Company plans to discuss with the Financial Institution in further details, while identifying and negotiating with new investors to invest on the remaining pledged assets, so as to reach agreement, under which the investors purchases the assets and remit the amount of the price directly to the Financial Institution. The remaining pledged assets mainly included the properties of the mall and the hotel held by Qingdao Zendai, with a total appraised value of approximately HK$1.15 billion. Taking into account the status quo of the commercial real estate market, the consideration of these remaining pledged assets are estimated to be aggregately 900 million, on the condition of rapid encashment and appropriate discounts, which is able to cover the outstanding Qingdao Defaulted Borrowing as well as the Defaulted Borrowing. The Group set to completely settle the outstanding by the end of FY2024;

(iv) the Group will launch the development of the reserved projects to speed up the collection of sales proceed, with the total cash inflows of the amount of approximately between HK$54 million and HK$76 million. The Group plans to acquire the necessary license of a certain section of the reserved projects in the second quarter of FY2024 and initiates the transformation and development of the remaining inventories, with the goal of reaching and fulfilling the sale requirements by the end of FY2024;

(v) the Group will launch the Haimen Project under the Framework Agreement as soon as possible to generate cash inflows of the amount of approximately HK$23 million. It is expected that the Haimen Project will be rebooted in the third quarter of FY2024 and reach the pre-sale condition by the end of FY2024;

(vi) the Group will continue to improve the management of the rental business of the commercial properties and the property management business via further strengthening the measures of receivable collection, as so to guarantee the basic cash inflows.

Board's assessment on the feasibility of the measures

The Board considered that the approach to address the Disclaimer in the past years is correct, and that the measures discussed above are feasible for FY2024.

Since the end of FY2023, the PRC Government's economic policy has changed greatly, and supportive policies continue to be introduced. Even though the effect of the policy will take some time, it is estimated that the overall economic and social expectations will be greatly improved in FY2024. This will significantly help the Group to implement the corresponding work plan smoothly.

The recovery of the economy and the improvement of consumption will contribute to the improvement of the operating performance of the assets held by the Group, and will further improve the expectation of asset prices which will help the Group to secure more favorable debt solutions and better asset sale plans. With the remaining Defaulted Borrowings of the Group being reduced, the Group can concentrate on solving these problems. Under the influence of time, the expectation gap between creditors and investors will narrow, and with the improvement of the macro environment, it is expected that an agreement will be reached more quickly.

Furthermore, the development of the hotel operation, property rental, management and agency services segments of the Company are stable. As the businesses are mainly located in the core areas of front-line cities in the developed regions, the stable income and excellent asset quality are favoured by financial institutions. Despite the pressure of industry adjustment and economic downturn, the assets of the Group have its own advantages compared with the similar type of assets in the industry. The aforesaid business segments are sustainable and profitable to meet the interest payment requirements of financial institutions. A potential relaxation of the financial regulatory policies toward property developers in the PRC will help improve the capital sufficiency of the whole society. The financing environment of enterprises is expected to be better.

In the past few years, the Group has optimized management process structure, increasing revenue and reducing expenditure, which has significantly improved the Group cash flow and provided a basis for the development of the follow-up business.

REMOVAL OF THE DISCLAIMER OF OPINION

As described in note 2.1 to the consolidated financial statements, the Board and together with the management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings. The above-mentioned plans and measures have been fully discussed with the Audit Committee and the Auditors. Contingent on the aforementioned plans and measures having a successful or favourable outcome, the Company expects that the Disclaimer can be removed in the following year's audit of the Group (i.e. the audit for the financial year ending 31 December 2024).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the Year Under Review.

PLEDGE OF ASSETS

As at the end of the Reporting Period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings:

	2023 HK$'000	2022 HK$'000
Property, plant and equipment	**538,424**	583,552
Investment properties	**1,996,722**	2,568,950
Properties under development and completed properties held-for-sale	**–**	326,192
Pledged deposits	**10,634**	120,422
	2,545,780	3,599,116

As at 31 December 2023, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

PROVISION AND CONTINGENT LIABILITIES

	2023 HK$'000	2022 HK$'000
Financial guarantee issued in respect of borrowings and interest payables of former subsidiaries	**309,866**	144,437

The Group had undertaken to indemnify certain lenders of the former subsidiaries for borrowings and related interest payables to the extent of HK$861,120,000 and HK$410,148,000 respectively (as at 31 December 2022: HK$1,105,808,000 and HK$359,811,000). As at 31 December 2023, the provision for these financial guarantee contracts amounted to HK$309,866,000 (as at 31 December 2022: HK$144,437,000).

In addition, as at 31 December 2023, the Group provided guarantees to the extent of approximately HK$4,061,000 (2022: HK$4,586,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, except for the amount of HK$309,866,000 provision for financial guarantee contracts for borrowings and interest payables of a former subsidiary is recognized, the credit risk exposure of these guarantee contracts is insignificant at initial recognition and at the end of the Reporting Period.

LITIGATION

In June 2022, the Group received an enforcement order (the "**Order**") issued by the Intermediate People's Court of Lanzhou*（蘭州市中級人民法院）against Qingdao Zendai Thumb Commercial Development Co., Ltd.*（青島証大大拇指商業發展有限公司）(the "**Qingdao Thumb**"), Nanjing Lifang Real Estate Co., Ltd.*（南京立方置業有限公司）("**Nanjing Lifang**"), Shanghai Zendai Real Estate Co., Ltd.*（上海証大置業有限公司）and Mei Yi International Ltd. (collectively the "**Defendants**"). Except for Nanjing Lifang (one of the former subsidiaries disposed of in the Myway Disposal as defined in the Company's Annual Report for the year ended 31 December 2022), all of the Defendants are indirect wholly-owned subsidiaries of the Company. The Order arose from the event of default of the loan owed by Qingdao Thumb to the Lender of the Qingdao Defaulted Borrowing (the principal and liquidated damages was approximately RMB707 million (equivalent to approximately HK$827 million) in total). As at the date of this report, principal amount of RMB596 million (equivalent to approximately HK$642 million) remained overdue and outstanding. Details of the Order were disclosed in the announcement of the Company dated 21 June 2022. The Company will pay close attention to the subsequent enforcement procedures and seek a resolution through active communications and coordination.

A. EXECUTIVE DIRECTORS

Mr. Huang Yuhui ("Mr. Huang"), aged 52, has been an executive Director of the Company since 11 January 2021 and has been the chairman of the Board, a member and the chairman of the Nomination Committee and an authorized representative of the Company for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since 23 June 2021. Mr. Huang graduated from Tsinghua University in 2011 with an Executive Master of Business Administration (EMBA). Mr. Huang obtained his doctor's degree via Finance Doctorate programme of Tsinghua University PBC School of Finance, and is a professorate senior engineer, a senior economist and a national Grade 1 registered constructor.

Mr. Huang has been the party secretary and chairman of Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司)("**Nantong Sanjian**") and chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd. since February 2018. Mr. Huang remains a shareholder of Nantong Sanjian, which in turn wholly owns Nantong Sanjian Holding (HK) Co., Limited, and as at 31 December 2023, Nantong Sanjian Holding (HK) Co., Limited was interested in 4,462,317,519 shares of the Company, representing approximately 29.99% of the issued share capital of the Company as at 31 December 2023. Mr. Huang has also been the chairman of Guangdong Jingyi Metal Co., Ltd which is listed on the Shenzhen Stock Exchange (stock code: 002295.SZ). From January 1999 to June 2003, Mr. Huang served as a director and deputy general manager of Haimen Construction and Installation Engineering Company* (海門市建築安裝工程公司, a direct branch of Nantong Sanjian) and a manager of the Beijing direct branch of Nantong Sanjian. From July 2003 to February 2005, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd.* (龍信建設集團有限公司) and a manager of the Beijing direct branch of Nantong Sanjian. From March 2005 to September 2012, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd. and the chairman of the ninth branch; meanwhile, he served as the general manager of Longxin Investment Co., Ltd.* (龍信投資有限公司) from May 2010 to October 2012, and the chairman of Nantong Yucheng Construction Co., Ltd.* (南通市裕成建設有限公司) from September 2007 to October 2012. From October 2012 to April 2015, Mr. Huang served as the executive vice chairman, legal representative and president of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2015 to April 2016, he served as the chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2016 to February 2018, he served as the chairman of Nantong Sanjian and Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Mr. Wang Letian ("Mr. Wang"), aged 51, has been an executive Director of the Company, a member of the nomination committee and remuneration committee of the Board since 9 November 2019 and was the chairman of the Board, chairman of the nomination committee of the Board and an authorized representative of the Company for the purposes of the Listing Rules from 9 November 2019 to 23 June 2021. Mr. Wang obtained a master's degree in business administration from University of Science and Technology Beijing and graduated from China Institute of Finance and Banking (the predecessor of the School of Banking & Finance of University of International Business and Economics) in 1994 with a bachelor's degree in economics.

Mr. Wang joined China Orient Asset Management (International) Holding Limited in June 2018, and currently serves as a co-president, a member of the operating management committee and a member of the investment committee. From November 2016 to June 2018, he served as a member of the Party committee, the secretary of committee for discipline inspection, and the deputy general manager of the Chongqing Branch of China Orient Asset Management Co., Ltd. From September 2016 to November 2016, he served as the deputy general manager of the First Business Management Department of China Orient Asset Management Co., Ltd. From September 2004 to September 2016, he served as the senior director, deputy manager, manager, senior manager, and senior economist of the Asset Operation Department of China Orient Asset Management Co., Ltd. From October 2003 to September 2004, he served as the senior director of the System Management Section of the Debt and Market Development Department of China Orient Asset Management Co., Ltd. From May 2000 to October 2003, he served as the director and senior director of the Asset Operation Department of the Taiyuan Office of China Orient Asset Management Co., Ltd. From July 1994 to May 2000, he worked at the Shanxi Province Branch of Bank of China.

Ms. Li Zhen ("Ms. Li"), aged 39, has been an executive Director of the Company and a member of the remuneration committee of the Board since 11 January 2021, and was a member of the nomination committee of the Board from 11 January 2021 to 23 June 2021. Ms. Li graduated from Tsinghua University in 2010 with a Master of Law degree.

Ms. Li has been a director of Guangdong Jingyi Metal Co., Limited, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002295.SZ), since November 2021. From July 2010 to January 2012, Ms. Li served as a business manager of the investment banking department of Ping An Securities Company Ltd.; from January 2012 to May 2014, she served as a senior business director of the investment banking department of Hua Lin Securities Co., Ltd.* (華林證券有限責任公司); and from June 2014 to December 2018, she successively served as a vice president and a senior vice president of the investment banking department of CSC Financial Co., Ltd., a company whose shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 6066.HK); and from October 2018 to November 2021, she served as vice president of Nantong Sanjian, meanwhile, she served as a director of Nantong Sanjian from April 2019 to November 2021.

Mr. Long Tianyu ("Mr. Long"), aged 39, has been an executive Director of the Company since 16 June 2023. Mr. Long graduated from the Southwestern University of Finance and Economics of the PRC in 2007 with a bachelor's degree in business administration. Mr. Long obtained the Chartered Financial Analyst certification in 2013.

Mr. Long joined China Orient Asset Management (International) Holding Limited since February 2022 and currently serves as the head and executive director of its special investment opportunities department (Division III). Mr. Long served as the head of the business department and the executive general manager of Dong Yin Development (Holdings) Limited (**"Dong Yin Development (Holdings)"**) from January 2019 to January 2022, the head of the investment department of Dong Yin Development (Holdings) from July 2014 to December 2018, the project manager of the investment business department of Dongyin Industrial (Shenzhen) Co. Ltd.* (東銀實業(深圳)有限公司) from March 2012 to June 2014 and a staff member of the Chongqing Liangjiang New Area Branch of the Agricultural Bank of China (the shares of which are listed on the Stock Exchange, stock code: 1288.HK) from July 2007 to September 2011.

B. NON-EXECUTIVE DIRECTORS

Ms. Wang Zheng ("Ms. Wang"), aged 53, has been a non-executive Director of the Company since 13 October 2017. Ms. Wang graduated from Beijing Institute of Fashion Technology in 1993 with a bachelor's degree in engineering.

Ms. Wang has over 25 years of experience in real estate industry and investment. Prior to this, Ms. Wang served in 冉盛置業發展有限公司 as the executive director, served as the vice general manager and the general manager of the Real Estate Business Department of China Energy and Fuel Company Limited (中能源電力燃料有限公司), and the vice general manager and the investment director of Sanjiu Pan-China Construction & Development Co., Ltd. (三九泛華建設開發有限公司).

Mr. Zou Yang ("Mr. Zou"), aged 36, has been a non-executive director of the Company since 24 August 2023. Mr. Zou graduated from Renmin University of China in 2014 with a master's degree in management.

Mr. Zou joined the Fosun Group in March 2021 and is currently the Senior Vice President, Chief Investment Officer (CIO) and General Manager of the Investment Management Department of Greater China in Fosun Hive, responsible for the business promotion and implementation of the investment line of Hive AMC and the asset operation line (bulk exit).

Prior to joining the Fosun Group, Mr. Zou was a vice president and senior partner of China Fortune Land Development Co., Ltd. (whose shares are listed on the Shanghai Stock Exchange, stock code: 600340.SH) from 2014 to 2021, and worked at China CYTS Tours Holding Co., Ltd. (whose shares are listed on the Shanghai Stock Exchange, stock code: 600138.SH) from 2009 to 2012, engaging in marketing, strategic investment and channel development, and was the youngest grassroots manager. Mr. Zou has many years of management experience in traditional real estate, industrial real estate and other fields.

Mr. Guo Haomiao ("Mr. Guo"), aged 32, has been a non-executive Director of the Company since 26 March 2024. He graduated from Tongji University in 2017 with a master's degree in Engineering.

Mr. Guo joined the Fosun Group in October 2019. He is currently the senior investment director of Greater China investment management department of Fosun Hive, and is responsible for the investment management of property-related business of Fosun Group. Prior to joining the Fosun Group, Mr. Guo served as the investment manager of CIFI Holdings (Group) Co. Ltd. (its shares are listed on the Stock Exchange, stock code: 0884.HK) from 2017 to 2019 and he engaged in investment works.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Guan Huanfei ("Dr. Guan"), aged 66, has been an independent non-executive Director of the Company, and members of the nomination committee and the audit committee of the Board since 11 January 2021. Dr. Guan obtained a Doctoral degree in Economics from Wuhan University in 2000 and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Dr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been a part-time lecturer of professional degree of Fudan University since 2013. Dr. Guan has been a visiting professor of Jilin University of Finance and Economics since August 2018, and was appointed as the honorary chairman of Shenzhen Research Association of Corporate Governance in November 2020, and he was appointed as external supervisor of post graduate of University of International Business and Economics since September 2022. Dr. Guan had been an economic and technical consultant of the People's Government of Jilin Province for several years.

Dr. Guan has extensive experience in finance and insurance industry in Hong Kong and China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive officer of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited.

Dr. Guan is currently an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258.HK), Shandong Hi-Speed Holdings Group Limited (previously known as China Shandong Hi-Speed Financial Group Limited) (stock code: 412.HK), Huarong International Financial Holdings Limited (stock code: 993. HK), Sunwah Kingsway Capital Holdings Limited (stock code: 188.HK), Guangdong – Hong Kong Greater Bay Area Holdings Limited (stock code:1396.HK), all of which are companies listed on the Main Board of the Stock Exchange.

From June 2020 to May 2021 Dr. Guan served as an executive director and the chairman of the board of director of Enterprise Development Holdings Limited (stock code: 1808.HK). From August 2019 to September 2020, Dr. Guan served as an independent non-executive director of Solis Holdings Limited (stock code: 2227.HK). From December 2017 to June 2018, Dr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (delisted on 7 November 2022, previous stock code: 231.HK). He was also the chairman emeritus of Culturecom Holdings Limited (stock code: 343.HK) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited, from July 2013 to March 2016. From May 2015 to September 2017, Dr. Guan was an executive director of CCT Land Holdings Limited (currently known as GBA Holdings Limited) (stock code: 261.HK). From March 2008 to January 2011, Dr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (delisted on 4 December 2023, previous stock code: 886.HK), and subsequently an executive director and the president from January 2011 to December 2012. He was also an independent non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822.HK) from June 2018 to May 2020, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Cao Hailiang ("Mr. Cao"), aged 51, has been an independent non-executive Director of the Company, and members of the nomination committee, the remuneration committee and the Audit Committee of the Board since 11 January 2021. Mr. Cao graduated from Jiangsu University in China with a bachelor's degree.

Mr. Cao founded Beijing Yuanbo Shiye Enterprise Management Consulting Company*（北京遠博仕業企業管理顧問公司）in 1999, and has been the chairman and chief consultant since then. Mr. Cao has been a visiting professor at Peking University HSBC Business School and School of Economics and Management, Peking University since 2000 and a visiting professor at School of Continuing Education, Tsinghua University since 2001. He is also a visiting professor at Wuhan University, Xiamen University, Tongji University and Sun Yat-sen University. Mr. Cao also served as the executive director of the Industrial Park (Real Estate) Research Centre of Research Institute of Machinery Industry Economic & Management*（機械工業經濟管理研究院產業園區（地產）研究中心）of China from 2018 to 2020.

Dr. Lin Xinzhu ("Dr. Lin"), aged 44, has been an independent non-executive Director of the Company, and a member of the audit committee of the Board since 11 January 2021. Dr. Lin graduated from Beijing University of Chemical Technology with a bachelor's degree in polymer materials and engineering in 2002, from Cass Business School of City, University of London, U.K. with a master's degree in investment management in 2004, and from Tsinghua University with a PhD degree in management in 2009.

Dr. Lin served as a manager of the corporate management department of Harvest Fund Management Co., Ltd. from December 2003 to May 2005; a PhD intern of Global Manufacturing Services (GMS) of World Bank International Finance Corporation (IFC) from January 2007 to December 2007; product head of business development department of BNY Mellon Asset Management Company*（紐銀梅隆資產管理公司）from May 2009 to November 2012; an associate director of product development department of MANULIFE TEDA Fund from November 2012 to May 2014; an associate director of planning and development department of Morgan Stanley Huaxin Fund Management Co., Ltd. from May 2014 to May 2016 and a product director of preparatory group of Minsheng Fund Management Co., Ltd.（民生基金管理有限公司）from June 2016 to October 2017. Dr. Lin also served as a director of product development of Haitong International Asset Management (HK) Limited from April 2018 to December 2019.

Mr. Wang Yuzhou（"Mr. Wang"), aged 44, has been an independent non-executive Director of the Company, a member and the chairman of the audit committee of the Board and a member of the remuneration committee of the Board since 30 September 2021. He obtained a bachelor degree in economics from Fudan University in 2003. Mr. Wang has been a member of (i) The Chinese Institute of Certified Public Accountants since December 2012; (ii) The Association of Chartered Certified Accountants since May 2013; (iii) The China Certified Tax Agents Association since April 2015; and (iv) The Chinese Institute of Certified Public Accountants since December 2019 (non-practicing member). He also (i) obtained the qualification of registered tax agent issued by the State Administration of Taxation of the People's Republic of China in June 2014; and (ii) was awarded the professional designation of certified internal auditor by The Institute of Internal Auditors since November 2013.

Mr. Wang was an audit manager in the Shanghai office of Deloitte Touche Tohmatsu Limited from 2005 to 2010. He then joined China Zenix Auto International Limited (the shares of which are listed on the New York stock exchange, stock code: ZX.US) as a vice president of the finance department until 2014. He was then a vice president of Sanpower Group Co., Limited, a multinational conglomerate headquartered in China, and a director and chairman of the audit committee of Natali Seculife Holdings Ltd from 2014 to 2018. Mr. Wang has been a vice president of the international finance department of Nanjing Xinjiekou Department Store Co., Limited (the shares of which are listed on the Shanghai stock exchange, stock code: 600682.SH) and a director and chairman of the audit committee of Dendreon Pharmaceuticals LLC since 2019. Mr. Wang also served as an independent non-executive director and chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of China Smarter Energy Group Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 1004.HK) from 30 June 2020 to 25 April 2021.

D. COMPANY SECRETARY

Mr. Lau Yin Fung Terence ("Mr. Lau"), aged 43, has been appointed as the company secretary of the Company with effect from 1 May 2021. He is a practising solicitor in Hong Kong working at Stevenson, Wong & Co., a legal adviser to the Company as to Hong Kong laws, in the field of commercial and corporate finance. Mr. Lau graduated from King's College London with a Bachelor of Laws.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, property management and agency services and operations of hotel business.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2023, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections (which form part of this report) headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees, customers and suppliers are covered by a separate "Environmental, Social and Governance Report" which will be available on the Group's website under "Investor Relations" section and the website of the Stock Exchange no later than 4 months after the financial year ended 31 December 2023 and form part of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 52 to 167. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2023.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 168.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year 2023 are set out in note 29(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2023 are set out in the consolidated statement of changes in equity and note 37 to the financial statements respectively.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 17 to the consolidated financial statements.

CHARITABLE DONATION

No charitable donation was contributed by the Group for the year 2023.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to the Shareholders as at 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year 2023 are set out in notes 15 and 16 to the consolidated financial statements respectively.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year 2023 are set out in note 19 of the annual report.

DIRECTORS

The Directors during the year 2023 and up to the date of this report were as follows:

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Long Tianyu (Appointed on 16 June 2023)
Mr. He Haiyang (Resigned on 16 June 2023)

Non-executive Directors

Ms. Wang Zheng
Mr. Zou Yang (Appointed on 24 August 2023)
Mr. Guo Haomiao (Appointed on 26 March 2024)
Mr. Cui Di (Resigned on 24 August 2023)
Mr. Huang Jiawei (Resigned on 26 March 2024)

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Wang Yuzhou
Mr. Chen Shuang, *JP* (Vacated on 26 March 2024)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2023, none of the Directors and chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

SHARE SCHEME

The Company adopted a share option scheme on 26 June 2012 which was valid for a period of 10 years and had expired on 25 June 2022 (the "**Scheme**"), for the primary purpose of providing incentives to directors and eligible persons. As at 31 December 2023, no share option had been granted or awarded or agreed to be granted or awarded to any person under the Scheme. Since the expiry of the Scheme, the Company has not adopted any new share scheme.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE

There was no change to any of the information required to be disclosed in relation to any Director or chief executive pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2023 interim report of the Company.

DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as their contribution to the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in notes 10 and 38 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company (the "**Bye-laws**") and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 2023 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 32 to the financial statements, or the connected transactions described in this report, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director or an entity connected with a director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2023 or any time during the year 2023.

CONNECTED, CONTINUING CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2023, the Group entered into certain related party transactions which may also constitute connected or continuing connected transactions under the Listing Rules. Details of these transactions are set out below and in note 32 to the financial statements.

Connected Transactions

Provision of Financial Assistance

(i) Amount due from Former Subsidiaries

At the end of December 2022, the Group completed the disposal of the entire equity interest in Myway Developments Limited, a wholly-owned subsidiary of the Company and its subsidiaries (collectively the "**Former Subsidiaries**") to Power Rider Enterprises Corp., ("**Power Rider**"), an associated company of a substantial Shareholder (the "**Myway Disposal**").

Pursuant to the arrangement of Myway Disposal entered into between the Company and Power Rider, the balance owed by the Former Subsidiaries to the Group and the balance owed by the Group to the Former Subsidiaries shall bear interest with effect from the date of Completion at the rate of 11.9% per annum and shall be repayable in full on or before 31 December 2024. The interest rate was determined with reference to the weighted average of the interest rates currently charged by China Orient Asset Management (International) Holding Limited and its subsidiaries on the outstanding loans owed by the Former Subsidiaries. In the event that the outstanding balances owed by the Former Subsidiaries and the Group have not been repaid in full as at 31 December 2024, the Group shall have the right to extend the maturity dates of the outstanding balances by the Former Subsidiaries and the Group by not more than three years.

(ii) Financial Guarantee

In addition, the Group has provided the guarantees (the "**Group Guarantees**") in respect of certain borrowings of the Former Subsidiaries. whereas the Former Subsidiaries has provided the guarantees (the "**Former Subsidiaries Guarantees**") in respect of certain borrowings of the Group. The Group Guarantees and the Former Subsidiaries Guarantees have been provided by the Group and the Former Subsidiaries, respectively, in favour of third party financial institutions as security for certain existing borrowings of the Former Subsidiaries and the Group, and cannot be released prior to completion of the Myway Disposal as certain borrowings have been in default and it would be difficult to negotiate with the relevant lenders for the release of such guarantees within a short period of time.

The party being guaranteed shall pay annual fee to the guarantor equivalent to 1% of the guaranteed amount. The rate of guarantee fee was determined after considering Power Rider, being a state-owned enterprise and with reference to the rates charged by companies listed on the Stock Exchange to their connected persons for guarantees ranging from 0% to 1.25% as noted from publicly available information.

The above arrangement have been approved by the independent Shareholders at the special general meeting held on 21 July 2022. Further details of the above financial assistances were set out in the notes 5.1(b)(ii), 25(a) and 34 to the financial statement, the announcement dated 7 June 2022 and 27 December 2022 and the circular of the Company dated and 30 June 2022 (the "**Financial Assistance**").

The management of the Company advised that the amount due from Former Subsidiaries arose from the transactions between the Group and the Former Subsidiaries in their normal operations such as payment of dividends, purchase and sale of assets and borrowing and lending. As the outstanding balances involve many different business entities of the Group and each of the Former Subsidiaries may have its own tax, operational and cashflow concerns for the repayment, it is impracticable for the relevant parties to settle all the outstanding balances. In addition, full settlement of the outstanding balances substantially increase the cash outflow of the Power Rider for the Myway Disposal and opt-out of the transaction completely if it has to settle the outstanding balances before completion.

In addition, being a 9.90% shareholder of the Former Subsidiaries and the project manager of relevant projects of the Former Subsidiaries (as discuss below), the Group shall have veto rights in approving the disposal of or creation of charges and mortgages on material assets, and the right to manage the cash flow of the Former Subsidiaries relevant projects. Therefore, the management of the Company shall have a thorough understanding on the financial position of the Former Subsidiaries and can effectively monitor the progress of repayment of the outstanding balances. Furthermore, the pre-requisites of full repayment of the amount due from the Former Subsidiaries and the release of the Group Guarantees for the settlement of the amount due the Former Subsidiaries would further mitigate the credit risk of the amount due from Former Subsidiaries and the Group Guarantees.

Based on the above, the Financial Assistance to the Former Subsidiaries is in the interests of the Company and its Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Company and considers that the credit risk of the amount due from Former Subsidiaries and the Group Guarantees is commercially acceptable.

Continuing Connected Transactions

The Framework Agreement

On 7 June 2022, the Company and Power Rider entered into the Framework Agreement ("**Framework Agreement**") in relation to the provision of property construction and management services for a term commencing from 27 December 2022 to 31 December 2024. The Framework Agreement and the transactions contemplated thereunder have been approved by the independent Shareholders at the special general meeting held on 21 July 2022.

The scope of services to be provided by the Group to the Former Subsidiaries includes, among other things, the management of financial affairs, planning and design, procurement, construction, sales and marketing, completion and delivery, customer services and maintenance, human resources, administration and operation of commercial investment property. For property development projects, the service fees to be charged by the Group shall be 3%of the proceeds from the sale of units of the Former Subsidiaries relevant projects (the "**Relevant Projects**"), plus an additional 2% as incentive subject to performance appraisal such as achievement of sales target, and shall be settled on a quarterly basis. For commercial investment properties, the service fees to be charged by the Group shall be 10% of the total operating income generated from the Relevant Projects and shall be settled on a quarterly basis.

The annual caps for the property management services for the year ended 31 December 2022 is HK$6,000,000 and is HK$200,000,000 and HK$230,000,000 for the year ending 31 December 2023 and 2024. Separate project agreements will be entered into between the Group and the Former Subsidiaries to set out the specific terms for each Relevant Projects being managed in accordance with the principles and broad terms agreed in the Framework Agreement. No separate project agreement has been engaged yet since 27 December 2022 and up to the date of this report.

Further details about the Provision of Financial Assistance and Framework Agreement are disclosed in notes 31 and 32 to the consolidated financial statements of this report, and the announcement and the circular of the Company dated 7 June 2022 and 30 June 2022, respectively.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2023, the interests or short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO and the amount of such interests and short positions were as follows:

Name	Nature of interests	Number of Shares interested as at 31 December 2023	Approximate percentage of the issued share capital as at 31 December 2023
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) *(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("**COAMI**") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
	Person having a security interest	2,678,283,273 (L)	18.00%
		5,381,531,754 (L)	36.17%

Name	Nature of interests	Number of Shares interested as at 31 December 2023	Approximate percentage of the issued share capital as at 31 December 2023
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Orient Asset Management Co., Ltd. ("**COAMC**") *(Note 2)*	Interest in controlled corporation	5,381,531,754 (L)	36.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) denotes long position

Notes:

1. As at 31 December 2023, Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司).

2. As at 31 December 2023, COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd. COAMI entered into a security deed with Nantong Sanjian Holding (HK) Co., Limited, pursuant to which COAMI obtained security interests in 2,678,283,273 Shares of the Company.

3. As at 31 December 2023, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 73.53% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Fosun Industrial Investment Co., Ltd., which had approximately 99.71% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2023, no persons, other than a director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year ended 31 December 2023, the Group's sales to the five largest customers accounted for 10.81% of the Group's turnover for the Year, of which the largest customer accounted for 4.08% of the Group's turnover for the Year. During the year ended 31 December 2023, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 8.15% and 28.55% respectively, of the Group's total purchases for the Year. None of the Directors, their associates or any Shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the Year and up to the date of this annual report, there was sufficient public float of at least 25% of the total number of issued Shares held by the public.

On behalf of the Board
Mr. Huang Yuhui
Chairman
26 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the Shareholders and enhance the performance of the Group. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimize return for Shareholders.

The Company has adopted the principles and code provisions as set out in part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable provisions under the CG Code during the year ended 31 December 2023. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2023.

The composition of the Board for the year ended 31 December 2023 and up to the date of this annual report are as follows:

Executive Directors

Mr. Huang Yuhui *(Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Long Tianyu (Appointed on 16 June 2023)
Mr. He Haiyang (Resigned on 16 June 2023)

Non-executive Directors

Ms. Wang Zheng
Mr. Zou Yang (Appointed on 24 August 2023)
Mr. Guo Haomiao (Appointed on 26 March 2024)
Mr. Cui Di (Resigned on 24 August 2023)
Mr. Huang Jiawei (Resigned on 26 March 2024)

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Cao Hailiang
Dr. Lin Xinzhu
Mr. Wang Yuzhou
Mr. Chen Shuang, *JP* (Vacated on 26 March 2024)

The term of appointment of non-executive Directors is 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the Year Under Review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings attended/ total number of meetings				
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Huang Yuhui *(Chairman)*	3/3	–	2/2	–	1/1
Mr. Wang Letian	1/3	0/2	0/2	–	0/1
Ms. Li Zhen	3/3	2/2	–	–	1/1
Mr. Long Tianyu *(Note 1)*	1/1	–	–	–	0/1
Mr. He Haiyang *(Note 2)*	2/2	–	–	–	–
Ms. Wang Zheng	2/3	–	–	–	1/1
Mr. Zou Yang *(Note 3)*	–	–	–	–	–
Mr. Cui Di *(Note 4)*	2/3	–	–	–	0/1
Mr. Huang Jiawei *(Note 5)*	3/3	–	–	–	1/1
Dr. Guan Huanfei	3/3	–	2/2	2/2	1/1
Mr. Chen Shuang, *JP* *(Note 6)*	0/3	0/2	0/2	0/2	0/1
Mr. Cao Hailiang	3/3	2/2	2/2	2/2	0/1
Dr. Lin Xinzhu	3/3	–	–	2/2	1/1
Mr. Wang Yuzhou	2/3	2/2	–	2/2	0/1

Note 1: appointed on 16 June 2023
Note 2: resigned on 16 June 2023
Note 3: appointed on 24 August 2023
Note 4: resigned on 24 August 2023
Note 5: resigned on 26 March 2024
Note 6: vacated on 26 March 2024

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Huang Yuhui since 23 June 2021 and the chief executive officer of the Company has been vacant since 19 August 2022. The Company has been identifying an appropriate person to fill the vacancy and will make further announcement as soon as practicable. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, the Directors and senior management staff attended various training in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2023.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Cao Hailiang *(Chairman)* (appointed as chairman on 26 March 2024) Mr. Wang Yuzhou Dr. Lin Xinzhu (appointed on 26 March 2024) Mr. Chen Shuang *(Chairman)* (vacated on 26 March 2024)
Executive Directors:	Mr. Wang Letian Ms. Li Zhen

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for 2 times to discuss and review, inter alia, the remuneration policy for Directors and senior management of the Company, to make the recommendations for the Directors and senior management's remuneration. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Dr. Guan Huanfei Mr. Cao Hailiang Dr. Lin Xinzhu (appointed on 26 March 2024) Mr. Chen Shuang (vacated on 26 March 2024)
Executive Directors:	Mr. Huang Yuhui *(Chairman)* Mr. Wang Letian

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of independent non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee is also responsible for reviewing the board diversity policy (the "**Board Diversity Policy**") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives and gender that are required to support the execution of its business strategy and in order for the Board to be effective. During the Year Under Review, 2 meeting was held to make recommendation to the Board of Directors of the Company. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

In order to achieve the purpose of the diversity of the Board, the Nomination Committee has following selection criteria for Directors:

– to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members;

– to select candidates for Directors according to the business characteristics and future development needs of the Company.

Under the revised rule 13.92 of the Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. As at the date of this the Board comprises 3 female Directors and 8 male Directors. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole. The Company has complied with this new requirement during the year ended 31 December 2023. The Group recognizes the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialization, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group. As at 31 December 2023, approximately 39% of the Group's employees (including senior management) are female and 61% are male.

During the Reporting Period, members of the Nomination Committee had studied the nomination standards and procedures for the Directors and senior management of the Company.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. Wang Yuzhou *(Chairman)*
	Dr. Guan Huanfei
	Mr. Cao Hailiang
	Dr. Lin Xinzhu
	Mr. Chen Shuang (vacated on 26 March 2024)

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2023, the Audit Committee held 2 meetings. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS". During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2022 and for the six months ended 30 June 2023 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2023 has been reviewed by the Audit Committee of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibilities to ensure that the Group has established and maintained adequate and effective risk management and internal control systems. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

The Board delegates its responsibilities to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems, on a annually basis. The Audit Committee also reviews the effectiveness of the risk management and internal control systems on an annual basis.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibilities of each level of management, policies and procedures and risk management process.

The roles and responsibilities of all level of management in the risk governance structure

The Board:

- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management Team:

- The Risk Management Team facilitates and supports business units in carrying out risk management procedures;
- Periodically reports the risk assessment results to the Board;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:

- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 3 steps:

Step 1: Risk identification – Identify the risks at the Company level and its subsidiary level.

Step 2: Risk analysis – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk strategies for the identified risks and develop the relevant risk response and control measures to mitigate the key risks.

Step 3: Risk reporting – Consolidate the risk assessment results and report the results to the Audit Committee and the Board.

Internal Control

Main Features of the Internal Control System

The Group has established internal control system by referencing to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. This internal control system consists of 17 principles and 5 key elements, e.g. control environment, risk assessment, control activities, information and communication, and monitoring.

Internal Audit Department

The Group has established internal audit department. The internal audit department conducts internal audits in accordance with a risk-based annual audit plan. The internal audit reports, along with the key audit findings prepared by the internal audit department, were reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group's internal control system stay effective.

Inside Information

The Group has put in place internal procedures for the handling of inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group for inside information to ensure that any potential inside information is promptly identified.

(2) Any potential inside information identified is promptly reported to the company secretary of the Company who will assess, following the consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Records of any meeting and discussion concerning the evaluation of whether certain information constitutes inside information will be maintained.

(4) Relevant officers and members are frequently reminded of the need to comply with the confidentiality requirements before inside information is disclosed to the public and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations or transactions.

(5) If certain information is determined to be inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has annually reviewed the effectiveness of the Group's risk management and internal control systems by conducting a series of reviews, including management's assessment over internal control system and the internal audits conducted by internal audit department. The Board therefore considers that the Group's risk management and internal control systems are generally effective as at 31 December 2023, despite identifying certain areas for improvement.

The Board has also reviewed the adequacy of resources, including staff qualifications and experience, training programmes and budget of its accounting, internal audit and financial reporting functions, and are satisfied with the results.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PKF Hong Kong Limited, the auditor of the Company, are stated in the auditor's report on pages 48 to 51 of this report. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

GOING CONCERN AND MITIGATION MEASURES

Pursuant to code provision D.1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statements, which give a true and fair view of the Group. The Directors are aware that as disclosed in note 2.1 to the consolidated financial statements in this report, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

Responses from the Directors regarding the disclaimer of opinion set out in the Independent Auditor's Report for the year ended 31 December 2023

After taking into account of the Group's cash flow projections covering a period of twelve months from the end of the reporting period of the year ended 31 December 2023 prepared by the management, and assuming the successful implementation of the measures to mitigate the liquidity pressure and to improve financial position of the Group, the Directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the Reporting Period. Accordingly, the Directors consider the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate. However, as stated in the Independent Auditor's Report, the auditor, PKF Hong Kong Limited (the "**Auditor**") was unable to obtain sufficient supporting bases to assess the appropriateness and reasonableness of the use of the going concern assumption and thus unable to form an opinion of the basis. Although the management explained the situation to the Auditor, it is difficult for the management to provide such supporting evidences that the Auditor considers sufficient at this stage.

The Group has been actively tackling the challenges from all aspects

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and the Defaulted Restructured Borrowing not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, except for the Qingdao Defaulted Borrowing, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Qingdao Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and the Defaulted Restructured Borrowing), and financing the continuing construction of properties under development;

(c) the Group is in the process of resuming the construction and pre-sale of a property development project in Haimen (the "**Haimen Project**") of a former subsidiary pursuant to a service agreement entered into between the Group and the Associated Company. The Group is expected to receive percentage-based management fee income based on the sales proceeds and property management services derived from the Haimen Project;

(d) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects;

(e) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure;

(f) the Group will continue to communicate with other financial institutions to strive for financing replacement and obtain new financing; and

(g) the Group will intensify the disposal of inefficient assets by the time window when the macroeconomic environment improves to strive the completion of the disposal of assets in order to obtain new cash inflow.

The Auditor of the Group has fully discussed the above action plans and measures with the management of the Group and Audit Committee.

Significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and the Defaulted Restructured Borrowing (as defined in section "Independent Auditor's Report" of this Annual Report), such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and the Defaulted Restructured Borrowing;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development and the Haimen Project; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

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

Views of the Audit Committee and the Directors

The Audit Committee has been maintaining close communication with the Company's management, keeping abreast of the Company's operations and giving relevant suggestions. The Audit Committee reviewed and understood various issues and handling methods related to the Company's annual audit in detail, and agreed with the management's position, basis, efforts and views on their judgement in major areas including the going concern assumptions. The Audit Committee believes that although the Company's Auditor's Report for the financial year ended 31 December 2023 is still unable to express an opinion, the Company's continuous operation ability has been greatly improved compared with the financial year ended 31 December 2022, and there is a continuous improvement trend. The Audit Committee recognizes the Company's efforts to address the issue of sustainable operations, and also gave relevant suggestions to the company's management during the process. The Audit Committee also had discussions with the auditor of the Company, after which the Audit Committee has agreed that the cause of the material uncertainties as disclosed in note 2.1 to the consolidated financial statements in this report is due to the unsuccessful capture of sufficient information to support on the Group's ability to continue as a going concern because of the Defaulted Borrowings, Defaulted Restructured Borrowing and Cross-defaulted Borrowings. The Audit Committee agrees with the Company's proposed measures as set out in this report to address the material uncertainties as disclosed in note 2.1 to the consolidated financial statements in this report, and is of the view that the proposed measures are sufficient to address the material uncertainties.

AUDITOR'S REMUNERATION

PKF Hong Kong Limited has been appointed as the Auditor of the Company. As regards annual audit service provided to the Company, the remuneration of HK$1,100,000 made to the Auditor was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2023, the Group had engaged its auditor to provide other services mainly in relation to consultation of interim reporting, the fees for these services were HK$150,000.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including the earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of the Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

COMPANY SECRETARY

All Directors are entitled to the company secretary's services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The company secretary assists in preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be detailed in the minutes. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comment and the final written resolution and minutes will be sent to Directors for their records.

According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the Year.

With effect from 1 May 2021, Mr. Lau Yin Fung Terence of Stevenson, Wong & Co., an external service provider, has been appointed by the Company as the company secretary. His primary contact person at the Company is Ms. Li Zhen (an executive Director of the Company).

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its Shareholders duly informed of their rights, publish from time to time the updated Bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with the Shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to paragraphs 58 to 59 of the Bye-laws of the Company, Shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, can by written requisition to the Board or the company secretary of the Company to request to convene a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition, and such meeting shall be held in the form of a physical meeting only and within two months after the deposit of such requisition. An annual general meeting of the Company shall be called by notice of not less than twenty-one clear days. All other general meetings (including a special general meeting) of the Company must be called by notice of not less than fourteen clear days. The chairman of any general meetings ensures that the Shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with Shareholders, Shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business. Shareholders, investors and the media may also contact the Company via email at the email address of the Company at INFO@zhengdaglobal.com.

Overall, the Company considers the shareholders' communication policy of the Group implemented and conducted during the year to be effective. The Company will continue to review the implementation and effectiveness of the shareholders' communication policy by shareholders' feedback from the above channel.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shanghai Zendai Property Limited
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shanghai Zendai Property Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 52 to 167, which comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of material accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

The Group reported a loss before income tax of HK$52 million for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$1,806 million. At the same date, the Group's total borrowings amounted to HK$1,769 million (including the current portion of HK$1,174 million). Except for borrowings of HK$254 million and related interest payable of HK$75 million which are unsecured, the Group's remaining borrowings were collaterized by the Group's hotel properties and investment properties recorded at a total carrying amount of HK$2,535 million together with fixed deposits amounting to HK$11 million. As at 31 December 2023, the Group had total cash and bank balances of HK$123 million.

As at 31 December 2023, the Group was unable to repay borrowings and interest payables from several financial institutions according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$687 million (the "**Defaulted Borrowings**") and related interest payables of HK$337 million. In addition to the Defaulted Borrowings and related interest payables, borrowings of HK$208 million (the "**Defaulted Restructured Borrowing**") and interest payables of HK$74 million from an associated company of a shareholder (the "**Associated Company**") was defaulted since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Associated Company on 31 December 2020. Such non-repayments are collectively referred to as the "Default Events". As a result, the entire outstanding principal and interest payables of these borrowings of HK$1,306 million would be immediately repayable if requested by the Lenders of Defaulted Borrowings and the Associated Company. Defaulted borrowings in the sum of HK$895 million were classified as current liabilities as at 31 December 2023.

These conditions, together with other matters described in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in Note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (a) successful negotiations with the lenders of the Defaulted Borrowings and the Defaulted Restructured Borrowing, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and the Defaulted Restructured Borrowing; (b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (c) successfully accelerating the construction as well as pre-sale and sale of its properties under development and a property development project located in Haimen; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the cash flow projections; and (d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number: P05453).

PKF Hong Kong Limited
Certified Public Accountants

Hong Kong, 26 March 2024

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	**2023 HK$'000**	2022 HK$'000
Revenue	*7*	**380,100**	396,621
Cost of sales	*9*	**(122,565)**	(232,643)
Gross profit		**257,535**	163,978
Other income, gains and expenses	*8*	**(46,038)**	(53,874)
Net gain on disposal of subsidiaries	*31*	**–**	4,218,588
Net reversal of impairment losses/(impairment losses) on financial assets	*5.1(b)*	**441,343**	(22,175)
Provision for financial guarantees	*34*	**(174,497)**	–
Selling and marketing expenses	*9*	**(32,686)**	(49,135)
Administrative expenses	*9*	**(103,598)**	(184,791)
Change in fair value of investment properties	*16*	**(154,062)**	(303,319)
Finance costs	*11*	**(239,926)**	(975,712)
(Loss)/profit before income tax		**(51,929)**	2,793,560
Income tax credit	*12*	**78,175**	84,778
Profit for the year		**26,246**	2,878,338
Profit/(loss) for the year attributable to:			
– Owners of the Company		**89,504**	2,883,611
– Non-controlling interests		**(63,258)**	(5,273)
		26,246	2,878,338
Earnings per share			
– Basic	*14*	**HK$0.60 cents**	HK$19.38 cents
– Diluted	*14*	**HK$0.60 cents**	HK$19.38 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit for the year	**26,246**	2,878,338
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**32,430**	43,998
Release of exchange reserve upon disposal of subsidiaries	**–**	65,527
	32,430	109,525
Item that will not be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**"), net of tax	**653**	(6,261)
Other comprehensive income for the year, net of tax	**33,083**	103,264
Total comprehensive income for the year	**59,329**	2,981,602
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**137,027**	3,003,998
– Non-controlling interests	**(77,698)**	(22,396)
Total comprehensive income for the year	**59,329**	2,981,602

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

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**565,588**	643,517
Investment properties	*16*	**2,628,284**	2,942,081
Financial assets at FVOCI	*23*	**67,215**	69,940
Amount due from an associate	*18*	**–**	–
Properties under development	*19*	**567,648**	726,619
Pledged deposits	*21*	**2,698**	582
Total non-current assets		**3,831,433**	4,382,739
Current assets			
Completed properties held-for-sale	*19*	**178,385**	195,669
Inventories		**1,328**	1,435
Trade and other receivables and prepayments	*20*	**317,569**	354,699
Deposits for properties under development		**14,314**	15,787
Amounts due from former subsidiaries	*33*	**410,683**	1,281,285
Amount due from an associate	*18*	**–**	–
Financial assets at fair value through profit or loss ("**FVPL**")	*23*	**–**	8,337
Tax prepayments	*27*	**6,547**	14,396
Pledged deposits	*21*	**7,936**	119,840
Cash and bank balances	*22*	**122,665**	151,834
Total current assets		**1,059,427**	2,143,282
Total assets		**4,890,860**	6,526,021
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29*	**297,587**	297,587
Reserves		**2,385,264**	2,337,741
Accumulated losses		**(1,560,514)**	(1,650,018)
		1,122,337	985,310
Non-controlling interests		**126,258**	203,956
Total equity		**1,248,595**	1,189,266

		As at 31 December	
		2023	2022
	Notes	**HK$'000**	HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**594,544**	285,615
Lease liabilities	*30*	**23,338**	42,556
Deferred income tax liabilities	*28*	**158,840**	222,819
Total non-current liabilities		**776,722**	550,990
Current liabilities			
Trade and other payables	*24*	**1,174,279**	1,143,303
Financial guarantee contracts provision	*34(b)*	**309,866**	144,437
Amounts due to former subsidiaries	*33*	**18,664**	1,383,454
Amounts due to minority owners of subsidiaries		**107,742**	113,177
Borrowings	*25*	**1,174,251**	1,851,960
Lease liabilities	*30*	**33,238**	40,728
Tax payables	*27*	**47,503**	108,706
Total current liabilities		**2,865,543**	4,785,765
Total liabilities		**3,642,265**	5,336,755
Total equity and liabilities		**4,890,860**	6,526,021

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

The consolidated financial statements were approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

Mr. Huang Yuhui
Director

Ms. Li Zhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2023	**297,587**	**2,337,741**	**(1,650,018)**	**985,310**	**203,956**	**1,189,266**
Comprehensive income						
Profit/(loss) for the year	–	–	89,504	89,504	(63,258)	26,246
Other comprehensive income						
Changes in fair value of financial assets at FVOCI, net of tax	–	653	–	653	–	653
Exchange differences arising on translation of foreign operations	–	46,870	–	46,870	(14,440)	32,430
Total other comprehensive income, net of tax	–	47,523	–	47,523	(14,440)	33,083
Total comprehensive income/(expense)	–	47,523	89,504	137,027	(77,698)	59,329
Balance at 31 December 2023	**297,587**	**2,385,264**	**(1,560,514)**	**1,122,337**	**126,258**	**1,248,595**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2022	297,587	2,315,814	(4,632,089)	(2,018,688)	226,352	(1,179,336)
Comprehensive income						
Profit/(loss) for the year	–	–	2,883,611	2,883,611	(5,273)	2,878,338
Other comprehensive income						
Changes in fair value of financial assets at FVOCI, net of tax	–	(6,261)	–	(6,261)	–	(6,261)
Exchange differences arising on translation of foreign operations	–	61,121	–	61,121	(17,123)	43,998
Release of exchange reserve upon disposal of subsidiaries *(Note 31)*	–	65,527	–	65,527	–	65,527
Total other comprehensive income, net of tax	–	120,387	–	120,387	(17,123)	103,264
Total comprehensive income/(expense)	–	120,387	2,883,611	3,003,998	(22,396)	2,981,602
Release of other reserve upon disposal of subsidiaries *(Note 31)*	–	(98,460)	98,460	–	–	–
	–	21,927	2,982,071	3,003,998	(22,396)	2,981,602
Balance at 31 December 2022	297,587	2,337,741	(1,650,018)	985,310	203,956	1,189,266

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(51,929)**	2,793,560
Adjustments for:			
Interest income		**(86,846)**	(14,496)
Finance costs	*11*	**239,926**	975,712
Net (reversal of impairment losses)/impairment losses on financial assets		**(441,343)**	22,175
Depreciation of property, plant and equipment		**49,313**	54,475
Change in fair value of investment properties	*16*	**154,062**	303,319
Impairment of properties under development and completed properties held-for-sale		**136,531**	47,162
Losses/(gains) on early termination of lease agreements		**1,706**	(829)
Gain on disposal of investment properties		**(2,109)**	–
Net gain on disposal of subsidiaries		**–**	(4,218,588)
Provision for financial guarantees		**174,497**	–
Provision for taxes surcharge		**–**	59,731
(Reversal of provision and claims)/provision and claims for compensation to customers and litigations		**(4,971)**	15,322
Losses/(gains) on disposal of property, plant and equipment, net		**124**	(326)
Net exchange losses/(gains)		**23,698**	(958)
Changes in operating assets and liabilities			
Increase in properties under development and completed properties held-for-sale		**–**	(67,291)
Decrease in inventories		**39**	776
Decrease/(increase) in trade and other receivables and prepayments		**63,566**	(123,726)
Increase in deposits for properties under development		**–**	(40,946)
(Decrease)/increase in trade and other payables		**(1,325)**	14,757
Cash generated from/(used in) operations		**254,939**	(180,171)
Interest received		**1,105**	14,496
Interest paid		**(148,738)**	(121,050)
Income taxes refunded		**10,325**	7,908
Net cash inflow/(outflow) from operating activities		**117,631**	(278,817)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2023 HK$'000	2022 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(2,688)**	(15,842)
Proceeds from disposal of property, plant and equipment		**667**	534
Proceeds from disposal of investment properties		**22,710**	–
Net cash outflow arising on disposal of subsidiaries	*31*	**–**	(14,099)
Net cash inflow/(outflow) from investing activities		**20,689**	(29,407)
Financing activities			
Proceeds from borrowings		**–**	378,236
Repayment of borrowings		**(273,913)**	(289,723)
Decrease in pledged deposits		**117,957**	98,338
Principal elements of lease payments		**(26,752)**	(20,671)
Net cash (outflow)/inflow from financing activities		**(182,708)**	166,180
Net decrease in cash and cash equivalents		**(44,388)**	(142,044)
Cash and cash equivalents at beginning of year		**151,834**	315,349
Effect of foreign exchange rate changes		**15,219**	(21,471)
Cash and cash equivalents at end of year		**122,665**	151,834

Note:

Major non-cash transaction

During the year, the Group entered into an agreement in relation to offset amounts due from former subsidiaries against amounts due to former subsidiaries of approximately HK$1,342,581,000.

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 2429-2430, 24/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in HK dollars ("**HK$**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the "**Directors**") of the Company (the "**Board**") on 26 March 2024.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets at FVOCI/FVPL, which are carried at fair value.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis

The Group reported a loss before income tax of HK$52 million for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$1,806 million. At the same date, the Group's total borrowings amounted to HK$1,769 million (including the current portion of HK$1,174 million). Except for borrowings of HK$254 million and related interest payable of HK$75 million which are unsecured, the Group's remaining borrowings were collaterized by the Group's hotel properties and investment properties recorded at a total carrying amount of HK$2,535 million together with fixed deposits amounting to HK$11 million. As at 31 December 2023, the Group had total cash and bank balances of HK$123 million.

As at 31 December 2023, the Group was unable to repay borrowings and interest payables from several financial institutions according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$687 million (the "**Defaulted Borrowings**") and related interest payables of HK$337 million. In addition to the Defaulted Borrowings and related interest payables, borrowings of HK$208 million (the "**Defaulted Restructured Borrowing**") and interest payables of HK$74 million from an associated company of a shareholder (the "**Associated Company**") was defaulted since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Associated Company on 31 December 2020. Such non-repayments are collectively referred to as the "Default Events". As a result, the entire outstanding principal and interest payables of these borrowings of HK$1,306 million would be immediately repayable if requested by the Lenders of Defaulted Borrowings and the Associated Company. Defaulted borrowings in the sum of HK$895 million were classified as current liabilities as at 31 December 2023.

Up to the approval date of these consolidated financial statements, the Group repaid interest payable of HK$13 million, in accordance with the repayment schedules of other borrowings of the Group between 1 January 2024 and the approval date of these consolidated financial statements.

As at the approval date of these consolidated financial statements, the Group's Defaulted Borrowings and related interest payables totalled HK$1,306 million. Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2024 might be significantly affected under such circumstance.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

In addition, Qingdao Zendai Thumb Commercial Development Co., Ltd. (青島証大大拇指商業發展有限公司)(“**Qingdao Zendai**”), an indirect wholly-owned subsidiary of the Group, received an enforcement order (the “**Order**”) issued by the Intermediate People’s Court of Lanzhou (the “**Court**”) in June 2022 following the Group’s failure to reach a mutually acceptable settlement plan for one of the Defaulted Borrowings (the “**Qingdao Defaulted Borrowing**”) with outstanding principal of RMB596 million (equivalent to approximately HK$642 million), and interest and surcharge payables of RMB312 million (equivalent to approximately HK$337 million) as at 31 December 2023 with a financial institution (the “**Financial Institution**”). According to the Order:

(a) Bank deposit of HK$6,112,000 of Qingdao Zendai as at 31 December 2023 shall be frozen and allocated to settle the Qingdao Defaulted Borrowing;

(b) The Financial Institution has priority right for claim to the proceeds from any discounted disposal or auction or sale of the pledged properties of Qingdao Zendai including investment properties of HK$910 million and property, plant and equipment of HK$108 million as at 31 December 2023;

(c) The Financial Institution shall have priority right of claim to the proceeds from 60% pledged equity interest of Hainan Huayi Real Estate Co., Ltd. (海南華意置業有限公司);

(d) Shanghai Zendai Real Estate Co., Ltd. (上海証大置業有限公司), guarantor of the Qingdao Defaulted Borrowing (the “**Guarantor of Qingdao Defaulted Borrowing**”), which is a subsidiary of the Group, shall be jointly and severally liable for the outstanding sum of the Qingdao Defaulted Borrowing; and

(e) the Court shall be entitled to seal, seize, auction and sell the equivalent assets of Qingdao Zendai and the Guarantor of Qingdao Defaulted Borrowing if the balance of bank deposit of Qingdao Zendai is insufficient to settle the outstanding sum of the Qingdao Defaulted Borrowing.

On 14 March 2024, the pledged equity interest mentioned in (c) above was disposed of through a judicial auction process on the network platform by the Court for a transaction price of RMB85 million (equivalent to approximately HK$91 million) to partially settle the Qingdao Defaulted Borrowing.

Up to the approval date of these consolidated financial statements, no further settlement plan has been reached by the Group with the Financial Institution despite of the Group’s continuous effort in negotiating with the Financial Institution for a mutually acceptable resolution over the Qingdao Defaulted Borrowing.

Furthermore, upon the completion of the disposal of subsidiaries to the Associated Company on 27 December 2022 (Note 31), the Group continues to provide financial guarantees to certain borrowings and interest payables of these former subsidiaries (as defined in Note 31) of RMB1,181 million (equivalent to HK$1,271 million) which were defaulted as at 31 December 2023. The Group is liable to the unpaid principal, interest and any surcharge payables should these former subsidiaries fail to repay upon request by the respective lenders.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and the Defaulted Restructured Borrowing not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, except for the Qingdao Defaulted Borrowing, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Qingdao Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and the Defaulted Restructured Borrowing), and financing the continuing construction of properties under development;

(c) the Group is in the process of resuming the construction and pre-sale of a property development project in Haimen (the "**Haimen Project**") of a former subsidiary pursuant to a service agreement entered into between the Group and the Associated Company. The Group is expected to receive percentage-based management fee income based on the sales proceeds and property management services derived from the Haimen Project;

(d) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(e) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 31 December 2023. The Directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

Notwithstanding the above, significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) successful negotiations with the lenders of the Defaulted Borrowings and the Defaulted Restructured Borrowing, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and the Defaulted Restructured Borrowing;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development and the Haimen Project; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

(a) Amended standards and revised conceptional framework adopted by the Group

The Group has applied the following new and amended standards for the first time for its annual reporting period commencing 1 January 2023:

- HKFRS 17 and amendments to HKFRS 17 – Insurance Contracts and Related Amendments
- Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to HKAS 8 – Definition of Accounting Estimates
- Amendments to HKAS 17 – Initial Application of HKFRS 17 and HKFRS 9 Comparative Information
- Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

The new and amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments, and are not expected to significantly affect the current or future periods.

Change in accounting policy as a result of application of the Hong Kong Institute of Certified Public Accountants ("HKICPA") guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group is obliged to pay LSP to Hong Kong employees under certain circumstances. Starting from June 2022, the Government of the HKSAR abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In July 2023, the HKICPA published guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively. The Directors consider that the effect of the Abolition is insignificant to the Group's consolidated financial position as at 1 January 2023 and 31 December 2023, and the consolidated financial performance for the year then ended.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policies and disclosures *(Continued)*

(b) New and amended standards not yet adopted

Certain new and amended standards, and annual improvements have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These standards, and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.3).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognized at cost.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables which are considered as part of the investments in the associates, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.10.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

3.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations *(Continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors that makes strategic decisions.

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other income, gains and expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognized in other comprehensive income under exchange revenue.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties and right-of-use assets recognized on lease contracts that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognized in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognized in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

For an investment property becomes to redevelop with a view to sale, it is reclassified as inventory, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

3.8 Land use rights

Land in China is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are accounted for as part of property, plant and equipment in the consolidated balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Hotel and buildings	Lower of underlying land lease term or 50 years
– Motor vehicles	5 years
– Leasehold improvements	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other income, gains and expenses" in the consolidated income statement.

When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3.10 Impairment of non-financial assets

Property, plant and equipment, land use right and interest in an associate are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Property, plant and equipment, land use right and interest in an associate that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable (e.g. have committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated and where applicable, the required shareholders' approval for the related disposal could certainly be obtained). They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of disposal group is recognized at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

3.12 Investments and other financial assets

3.12.1 Classification

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.1 Classification (Continued)

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

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

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

3.12.2 Recognition and de-recognition

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

3.12.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented under "other income, gains and expenses" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other income, gains and expenses". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other income, gains and expenses" and impairment losses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other income, gains and expenses" in the period in which it arises.

Equity instruments

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Equity instruments *(Continued)*

Changes in the fair value of financial assets at FVPL are recognized in "other income, gains and expenses" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.12.4 Impairment

The Group performs impairment assessment under expected credit loss ("**ECL**") model on its debts instruments which are subject to impairment under HKFRS 9 Financial Instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.4 Impairment (Continued)

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3.12.5 Dividend income

Dividends are received from financial assets measured at FVPL and FVOCI. Dividends are recognized as other gains in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs capitalized for qualifying assets and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held-for-sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortized on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

3.16 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.19 Borrowings and borrowing costs *(Continued)*

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

3.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(b) Pension obligations

The Group has only defined contribution pension plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus plans

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(b) Share-based payment transactions among group entities

The grant of options by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognized over the vesting period, with a credit recognized in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

(b) Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the lease.

(c) Hotel operation

Revenue from provision of services and facilities of hotels is recognized in the accounting period in which the services and facilities are rendered. For income from food and beverages, revenue is recognized when control of the goods has transferred to customers, being at the point the goods are delivered to the customer.

(d) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(e) Guarantee fee income

Guarantee fee income is determined based on specific percentage of the guaranteed amount by the Group as guarantor and is recognized as income over the period of the guarantee.

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss as part of other gains.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.25 Interest income *(Continued)*

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income, gains and losses".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Certain right-of-use assets meet the definition of investment property and are measured at fair value subsequently. The rest of right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Except for right-of-use assets that meet the definition of investment properties are presented under investment properties, the Group presents other right-of-use assets and land use rights under property, plant and equipment on the consolidated statement of financial position.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

Payments associated with short-term leases of building and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. (Note 3.24).

3.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3.30 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3.31 Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognized in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognizes the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

3.32 Contingent liabilities

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognized in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(b) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 16.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified external valuers to perform the valuation. The management works closely with the independent qualified external valuers to establish the appropriate valuation techniques and key inputs to the model. The Group uses valuation techniques that include key inputs that are not based on observable market data to estimate the fair value.

*(c) Income taxes and land appreciation tax ("**LAT**")*

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(d) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realizable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized. The assessment requires the use of estimation.

4.2 Critical accounting judgements

Impairment of financial assets and provision for financial guarantees

The loss allowances for financial assets and financial guarantees are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, probability of default and recovery rate quoted from international credit-rating agencies as well as collateral value and default status of borrowings for which the Group is a guarantor. Management considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. The measurement of ECL is a function of the probability of default and loss given default, which involves key estimates from the management. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Details of the key assumptions and inputs used are disclosed in Note 5.1 (b).

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Directors and summarized below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when the Group's entities enter into transactions denominated in a currency other than their functional currency.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk *(Continued)*

The Company and its certain subsidiaries undertake certain transactions denominated in United States dollars ("**USD**"). The functional currency of these companies are HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from borrowings with prevailing floating market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2023, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would have increased/decreased by approximately HK$704,000 (2022: HK$830,000).

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortized cost, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset (or inception date the Group becomes a party to the irrecoverable commitment in a financial guarantee arrangement) and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset (or the financial guarantee) at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) Risk management

To manage such exposure, the Group has policies in place to ensure that sales are made to properties purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The recoverability of other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors.

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks for their purchases of property units (Note 34(a)). If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The Directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management *(Continued)*

The Group has provided guarantees to certain lenders of borrowings of HK$1,271,268,000 (2022: HK$1,465,619,000) of the former subsidiaries (Note 34(b)). The maximum exposure at the end of the reporting period in respect of financial guarantees is disclosed in liquidity risk (Note 5.1(c)).

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the ECL model:

- trade receivables for sales of properties, from properties rental and from the provision of property management services; and
- other receivables carried at amortized cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the counterparties are banks with high credit ratings.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables *(Continued)*

On that basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for trade receivables:

31 December 2023	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Gross carrying amount					
– trade receivables	5,558	77,655	14,365	13,641	111,219
Expected loss rate	–	5%	10%	68%	13%
Loss allowance	–	(3,883)	(1,436)	(9,274)	(14,593)
Trade receivables, net	5,558	73,772	12,929	4,367	96,626

31 December 2022	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Gross carrying amount					
– trade receivables	44,297	8,729	5,926	8,455	67,407
Expected loss rate	–	5%	10%	53%	8%
Loss allowance	–	(436)	(593)	(4,439)	(5,468)
Trade receivables, net	44,297	8,293	5,333	4,016	61,939

During the year ended 31 December 2023, provision for loss allowance of HK$9,211,000 (2022: HK$2,188,000) was provided on trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables

The Group uses three categories approach for other receivables, including amount due from an associate, receivables from third parties and amounts due from former subsidiaries, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Definition of category	Basis for recognition of ECL provision
Stage one	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ("**12m**") expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss since initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

For certain other receivables amounting to HK$53,241,000 as at 31 December 2023 (2022: HK$56,550,000), the impairment was determined individually. The balance was fully impaired as at 31 December 2021 and the accumulated allowance as at 31 December 2023 is HK$53,241,000 (2022: HK$56,550,000). The loss allowance recognized for the remaining amount of other receivables was limited to 12m expected losses since their credit risk has not significantly increased after initial recognition.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

As at 31 December 2023 and 2022, the loss allowance was determined as follows for the remaining amount of other receivables:

31 December 2023	Amount due from an associate (a) HK$'000	Receivables from third parties (b) HK$'000	Amount due from former subsidiaries (c) HK$'000	Total HK$'000
Gross carrying amount – other receivables	330,031	247,847	821,658	1,399,536
Expected loss rate	100%	16%	50%	56%
Loss allowance	(330,031)	(39,797)	(410,975)	(780,803)
Other receivables, net	–	208,050	410,683	618,733

31 December 2022	Amount due from an associate (a) HK$'000	Receivables from third parties (b) HK$'000	Amount due from former subsidiaries (c) HK$'000	Total HK$'000
Gross carrying amount – other receivables	326,500	294,997	2,175,013	2,796,510
Expected loss rate	100%	3%	41%	44%
Loss allowance	(326,500)	(9,926)	(893,728)	(1,230,154)
Other receivables, net	–	285,071	1,281,285	1,566,356

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

(a) The main business of the associate is hotel operation. The borrowings of the associate were restructured in 2020. Given the fact that the credit risk of the associate had increased significantly and the ongoing repayment of the restructured borrowing was in doubt, the amount was fully impaired as at 31 December 2021 and the accumulated allowance as at 31 December 2023 was HK$330,031,000 (2022: HK$326,500,000). The movement between the closing balances of the two year-end dates represent exchange realignment.

(b) Other receivables amounting to HK$247,847,000 (2022: HK$294,997,000) mainly include cash consideration receivable from disposal of subsidiaries (Note 31), deposits and utilities payments on behalf of contractors under daily operation activities and the associated ECL were considered as low. During the year ended 31 December 2023, provision for loss allowance of HK$26,810,000 (2022: HK$19,987,000) was provided on these remaining amount of other receivables.

(c) The Directors have reviewed the credit qualities of amounts due from former subsidiaries of gross carrying amount of HK$821,658,000 (2022: HK$2,175,013,000) and has considered that there are credit losses since initial recognition of these receivables in view of (i) the net asset value (excluding investments in subsidiaries and inter-company balances) of certain former subsidiaries are negligible; and (ii) certain former subsidiaries have encountered material financial difficulties and require longer period of time to develop and realize their properties. Accordingly, the Group has recognized expected credit loss provision of HK$410,975,000 (2022: HK$893,728,000) in respect of amounts due from former subsidiaries as at 31 December 2023.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off of other receivables during the year ended 31 December 2023 (2022: HK$nil).

No significant changes to estimation techniques or assumptions were made during the reporting period.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

During the year, the following impairment loss movement were recognized in profit or loss in relation to impaired financial assets:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
– impairment losses on trade receivables	**(9,211)**	(2,188)
– impairment loss on remaining amount of other receivables	**(26,810)**	(19,987)
– reversal of impairment losses/ (impairment losses) on amounts due from former subsidiaries	**477,364**	(893,728)
Reversal of impairment losses/ (impairment losses) on financial assets at amortized cost	**441,343**	(915,903)

(iii) Financial assets at FVPL

The Group is exposed to credit risk in relation to debt instruments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these debt instrument of HK$nil (2022: HK$8,337,000).

(iv) Financial guarantee

Financial guarantees in respect of mortgage facilities for properties purchasers

The Group has policies in place to ensure that sales are made to properties purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain properties purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a properties purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iv) Financial guarantee *(Continued)*

Financial guarantees issued in respect of borrowings and interest payables of former subsidiaries

In addition, the Directors reviewed and assessed the Group's existing financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The Group has undertaken to indemnify certain lenders of the former subsidiaries for borrowings and related interest payables to the extent of HK$861,120,000 and HK$410,148,000 (2022: HK$1,105,808,000 and HK$359,811,000) respectively. Provision for financial guarantee contracts of HK$309,866,000 (2022: HK$144,437,000) has been recognized as at 31 December 2023 as the management expects the defaulted borrowings and related interest payables of a former subsidiary would not be sufficiently paid out by realizing assets of that former subsidiary. Except as disclosed in Note 34, the Group did not enter into any financial guarantee contracts in respect of borrowings of third parties.

As at 31 December 2023 and 2022, the loss allowance was determined as follows for financial guarantee contracts issued:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Maximum exposure amount	**1,271,268**	1,465,619
Expected loss rate	**24%**	10%
Loss allowance	**309,866**	144,437

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The finance department of the Company has prepared Cash Flow Projections which cover a period of not loss than twelve months from 31 December 2023 on the basis that: (1) bank financing will continue to be available despite of the default and cross-default status of certain bank and other borrowings; (2) percentage-based service fee income based on the sales proceeds and property management services from the Haimen project; (3) certain additional borrowings will be obtained; and (4) there will be no further breach of debt covenants in 2024. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the sales of completed properties, if any of the above conditions are not fully fulfilled.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources from external financing or internal funding for the development of properties for sale and settlement of liabilities, implementing cost control measures, introducing strategic partners to the Group's property development projects and obtaining financial support from the shareholder. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities of repayment schedule. The amounts disclosed in the table are the contractual undiscounted cash flow.

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount of liabilities HK$'000
At 31 December 2023						
Trade and other payables (excluding other taxes and payroll payables)	1,129,082	–	–	–	1,129,082	1,129,082
Borrowings	1,191,841	244,663	383,480	121,415	1,941,399	1,768,795
Amounts due to former subsidiaries	18,664	–	–	–	18,664	18,664
Amounts due to minority owners of subsidiaries	107,742	–	–	–	107,742	107,742
Lease liabilities	35,754	11,229	14,706	57	61,746	56,576
	2,483,083	255,892	398,186	121,472	3,258,633	3,080,859

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount of liabilities HK$'000
At 31 December 2022						
Trade and other payables (excluding other taxes and payroll payables)	1,101,272	–	–	–	1,101,272	1,101,272
Borrowings	1,564,802	156,977	419,584	229,800	2,371,163	2,137,575
Amounts due to former subsidiaries	1,383,454	–	–	–	1,383,454	1,383,454
Amounts due to minority owners of subsidiaries	113,177	–	–	–	113,177	113,177
Lease liabilities	45,243	25,452	21,117	–	91,812	83,284
	4,207,948	182,429	440,701	229,800	5,060,878	4,818,762

The maturities of the Group's borrowings based on the earliest date on which the Group can be required to pay as at 31 December 2023 is same as their contractual maturities of repayment schedules. The maturities of the Group's borrowings based on the earliest date on which the Group can be required to pay as at 31 December 2022 was as follows:

At 31 December 2022	**Less than 1 year HK$'000**	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total contractual cash flows HK$'000**	**Carrying amount HK$'000**
Borrowings	**1,924,965**	**55,808**	**150,826**	**170,702**	**2,302,301**	**2,137,575**

In addition to the non-derivative financial liabilities as disclosed above, the Group also has provided financial guarantees in respect of the mortgage facilities for certain properties purchasers of the Group's properties and borrowings and related interest payables of former subsidiaries with guaranteed amounts of HK$4,061,000 and HK$1,271,268,000 respectively as at 31 December 2023 (2022: HK$4,586,000 and HK$1,465,619,000 respectively), details of which have been set out in Note 34.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt divided by equity attributable to owners of the Company (as shown in the consolidated balance sheet). For this purpose, the Group defines net debt as total debt (which comprises borrowings, amounts due to minority owners of subsidiaries and lease liabilities) less cash and cash equivalents and pledged deposits.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

The gearing ratio at 31 December 2023 and 2022 was calculated as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Borrowings	**1,768,795**	2,137,575
Amounts due to minority owners of subsidiaries	**107,742**	113,177
Lease liabilities	**56,576**	83,284
Total debts	**1,933,113**	2,334,036
Less:		
Cash and cash equivalents	**(122,665)**	(151,834)
Pledged deposits	**(10,634)**	(120,422)
Net debts	**1,799,814**	2,061,780
Equity attributable to owners of the Company	**1,122,337**	985,310
Gearing ratio	**160%**	209%

The gearing ratio as at 31 December 2023 is primarily resulted from the decrease in net debt and also the equity attributable to owners of the Company as a result of the net profit for the current year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 31 December 2023 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within investment properties that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 16 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2023				
Investment properties	**–**	**92,570**	**2,535,714**	**2,628,284**
Financial assets at FVOCI	**–**	**–**	**67,215**	**67,215**
	–	**92,570**	**2,602,929**	**2,695,499**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2022				
Investment properties	–	97,240	2,844,841	2,942,081
Financial assets at FVOCI	–	–	69,940	69,940
Financial assets at FVPL	8,337	–	–	8,337
	8,337	97,240	2,914,781	3,020,358

Except as disclosed in Note 23, there were no transfers among Level 1, Level 2 and Level 3 during the year.

Details of how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used) are set out in Note 23.

6. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Directors, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Directors considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organized into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Directors assess the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Directors for assessment of segment performance.

Total segment assets mainly exclude pledged deposits, amounts due from former subsidiaries, and unallocated head office and corporate assets, all of which are managed on a centralized basis.

Total segment liabilities mainly exclude unallocated borrowings, amounts due to former subsidiaries, financial guarantee contracts provision, and unallocated head office and corporate liabilities, all of which are managed on a centralized basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the consolidated income statement.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) *Information about reportable segment revenue, profit or loss before income tax and other information*

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Reportable segment revenue	**–**	48,377	**85,645**	79,246	**296,067**	286,416	**381,712**	414,039
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(1,612)**	(17,418)	**(1,612)**	(17,418)
Reportable segment revenue from external sales *(i)*	**–**	48,377	**85,645**	79,246	**294,455**	268,998	**380,100**	396,621
Reportable segment (loss)/profit before income tax	**(212,579)**	(450,764)	**17,078**	41,675	**(132,187)**	(172,463)	**(327,688)**	(581,552)
Other information (items included in determining the reportable segment (loss)/profit):								
Interest income	**9**	6,130	**–**	793	**1,066**	7,305	**1,075**	14,228
Depreciation charge	**(125)**	(7,607)	**(5,941)**	(40,057)	**(42,067)**	(6,811)	**(48,133)**	(54,475)
Change in fair value of investment properties	**–**	–	**–**	–	**(154,062)**	(303,319)	**(154,062)**	(303,319)
(Losses)/gains on early termination of lease agreements	**–**	–	**–**	–	**(1,677)**	829	**(1,677)**	829
Rental income	**–**	3,151	**–**	–	**–**	–	**–**	3,151
(Losses)/gains on disposal of property, plant and equipment, net	**(46)**	335	**(251)**	(9)	**173**	–	**(124)**	326
Gains on disposal of investment properties	**–**	–	**–**	–	**2,109**	–	**2,109**	–
Finance costs	**–**	–	**–**	–	**(134,468)**	(166,706)	**(134,468)**	(166,706)
Reportable segment assets	**787,245**	886,888	**598,311**	685,945	**3,066,855**	3,283,157	**4,452,411**	4,855,990
Amounts included in the measure of segment assets:								
Additions to non-current assets *(ii)*	**111**	7,427	**1,320**	5,523	**5,731**	22,815	**7,162**	35,765
Reportable segment liabilities	**167,876**	1,410,100	**102,134**	57,446	**1,810,452**	1,921,564	**2,080,462**	3,389,110

(i) For the year ended 31 December 2023, revenue from sales of properties of HK$nil (2022: HK$48,377,000) was recognized at a point in time. The revenue from hotel operations, management and agency services of HK$254,540,000 (2022: HK$199,800,000) were recognized over time. Rental income of HK$125,560,000 (2022: HK$148,444,000) was recognized on a straight-line basis over the term of respective leases.

(ii) Amounts comprise additions to investment properties and certain property, plant and equipment.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below: *(Continued)*

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Reportable segment loss before income tax	**(327,688)**	(581,552)
Unallocated interest income	**85,771**	268
Unallocated losses on early termination of lease agreements	**(29)**	–
Guarantee fee income	**13,228**	–
Net gain on disposal of subsidiaries *(Note 31)*	**–**	4,218,588
Net reversal of impairment losses on amounts due from former subsidiaries	**477,364**	–
Provision for financial guarantees	**(174,497)**	–
Unallocated finance costs	**(105,458)**	(809.006)
Unallocated depreciation charge	**(1,180)**	–
Unallocated head office and corporate expenses	**(19,440)**	(34,738)
(Loss)/profit before income tax	**(51,929)**	2,793,560

	As at 31 December	
Assets	**2023**	2022
	HK$'000	HK$'000
Reportable segment assets	**4,452,411**	4,855,990
Pledged deposits	**10,634**	120,422
Amounts due from former subsidiaries	**410,683**	1,281,285
Unallocated head office and corporate assets	**17,132**	268,324
Total assets	**4,890,860**	6,526,021

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below: *(Continued)*

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities (Continued)

Liabilities	As at 31 December **2023** **HK$'000**	 2022 HK$'000
Reportable segment liabilities	**2,080,462**	3,389,110
Amounts due to former subsidiaries	**18,664**	1,383,454
Financial guarantee contracts provision	**309,866**	144,437
Unallocated borrowings *(i)*	**1,127,261**	266,447
Unallocated head office and corporate liabilities	**106,012**	153,307
Total liabilities	**3,642,265**	5,336,755

(i) During the year, the Directors assessed and considered that after the disposal of certain subsidiaries which were engaged in sales of properties during the year ended 31 December 2022, certain borrowings which were previously included within the segment of sales of properties shall ceased to be liabilities of this segment and re-assigned as unallocated borrowings.

(c) Geographical information

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's non-current assets are also located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2023 and 2022.

7. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarized as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Sales of properties	**–**	48,377
Hotel operations	**85,645**	79,246
Properties rental, management and agency income	**294,455**	268,998
	380,100	396,621

8. OTHER INCOME, GAINS AND EXPENSES

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest income	**86,846**	14,496
Rental income *(a)*	**–**	3,151
Impairment of properties under development *(b)*	**(128,414)**	–
(Losses)/gains on early termination of lease agreements	**(1,706)**	829
Government grants	**265**	715
Guarantee fee income	**13,228**	–
(Losses)/gains on disposal of property, plant and equipment, net	**(124)**	326
Gains on disposal of investment properties	**2,109**	–
Others *(c)*	**(23,213)**	1,662
Provision for taxes surcharge	**–**	(59,731)
Reversal of provision and claims/(provision and claims) for compensation to customers and litigations	**4,971**	(15,322)
	(46,038)	(53,874)

(a) Rental income was derived from leases of certain retail properties on a temporary basis which are included in completed properties held-for-sales.

(b) The impairment is related to properties under development held by Hainan Huayi Real Estate Co., Ltd., a non wholly-owned subsidiary of the Company, which was subsequently disposed to a third party through a judicial auction as disclosed in Note 2.1.

(c) Others mainly include net exchange losses (2022: gains) and write-back of long aged other payables.

9. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Cost of properties sold	**–**	11,361
Cost of rendering property management service and others *(a)*	**83,065**	141,658
Tax and levies	**21,002**	32,462
Impairment of properties under development and completed properties held-for-sale	**8,117**	47,162
Employee benefit expense	**62,803**	105,310
Auditors' remuneration:		
– Audit services	**1,100**	1,707
– Non-audit services	**150**	1,762
Consulting and service expenses	**9,188**	19,758
Depreciation charge	**49,313**	54,475
Advertising costs	**467**	2,282
Short-term leasing expenses	**1,573**	3,655
Maintenance and consumption expenses for hotel operations	**19,948**	28,490
Other expenses	**2,123**	16,487
Total	**258,849**	466,569

(a) Cost of rendering property management service and others mainly includes cost of maintenance, cleaning and security relating to the provision of property management services.

10. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries and wages	**49,578**	85,748
Pension costs – defined contribution plans	**13,225**	21,719
	62,803	107,467
Less: Amount capitalized in properties under development		
Salaries and wages	**–**	(1,722)
Pension costs – defined contribution plans	**–**	(435)
Total	**62,803**	105,310

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2022: 1) director whose emolument is reflected in the analysis shown in Note 38. The emoluments payable to the remaining 4 (2022: 4) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries and wages	**3,705**	4,632
Pension costs – defined contribution plans	**392**	388
Total	**4,097**	5,020

The emoluments fell within the following bands:

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

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Retirement benefit schemes

The Group operates a mandatory provident fund (the "**MPF**") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

11. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest expenses:		
– Bank borrowings	**70,418**	120,879
– Other borrowings	**155,379**	848,104
Interest and finance charges paid/payable on lease liabilities	**4,724**	6,729
Guarantee fee expense	**9,405**	–
Finance costs	**239,926**	975,712

Note:

Interest expenses on other borrowings include the provision for late payment surcharges in connection with the delay in the repayment of certain other borrowings as mentioned in Note 25(d) of HK$120,839,000 (2022: HK$287,415,000).

12. INCOME TAX CREDIT

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Current income tax:		
– PRC Enterprise Income Tax ("**EIT**")	**3,815**	–
– PRC LAT	**1,179**	11,064
	4,994	11,064
(Over)/under provision in prior years:		
– PRC EIT	**(21,387)**	18,619
– PRC LAT	**(4,549)**	(30,006)
	(25,936)	(11,387)
Deferred income tax credit *(Note 28)*	**(57,233)**	(84,455)
Income tax credit	**(78,175)**	(84,778)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2023 and 2022.

EIT

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2022: 25%) during the year ended 31 December 2023.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

12. INCOME TAX CREDIT *(Continued)*

The income tax credit for the year can be reconciled to the (loss)/profit before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
(Loss)/profit before income tax	**(51,929)**	2,793,560
Tax calculated at domestic rates applicable in tax jurisdictions concerned	**(12,063)**	719,167
Impact of LAT in the PRC net of allowance deduction for EIT purpose	**(3,665)**	(21,708)
Tax effect of non-taxable income	**(77,593)**	(1,318,764)
Tax effect of expenses not deductible for tax purposes	**33,449**	198,529
Tax effect of tax losses not recognized	**47,900**	59,457
Tax effect of deductible temporary differences not recognized	**(36,559)**	268,615
Utilization of tax losses previously not recognized as deferred income tax assets	**(8,257)**	(8,693)
(Over)/under provision in respect of prior years	**(21,387)**	18,619
Income tax credit	**(78,175)**	(84,778)

13. DIVIDENDS

No dividend was proposed by the Board for the years ended 31 December 2023 and 2022.

14. EARNINGS PER SHARE

Basic earnings per share

The calculations of the basic earnings per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2023	2022
Earnings		
Earnings attributable to owners of the Company (HK$'000)	**89,504**	2,883,611
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	HK$ cents
Basic earnings per share	**0.60**	19.38

Diluted earnings per share

Since there was no dilutive ordinary share during the years ended 31 December 2023 and 2022, diluted earnings per share is equal to basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2023						
Cost						
At 1 January 2023	746,940	683,289	13,657	50,921	80,160	1,574,967
Additions	–	580	–	1,228	1,460	3,268
Disposals	–	(5,904)	(4,261)	(2,097)	(1,284)	(13,546)
Exchange differences	(36,205)	(32,530)	(202)	(2,308)	(3,818)	(75,063)
At 31 December 2023	710,735	645,435	9,194	47,744	76,518	1,489,626
Accumulated depreciation and impairment						
At 1 January 2023	546,706	282,736	13,464	24,463	64,081	931,450
Depreciation provided for the year	12,618	27,400	351	5,872	3,072	49,313
Disposals	–	(4,265)	(4,221)	(1,637)	(993)	(11,116)
Exchange differences	(25,662)	(14,171)	(496)	(1,176)	(3,104)	(45,609)
At 31 December 2023	533,662	291,700	9,098	27,522	63,056	924,038
Net book amount	177,073	353,735	96	20,222	13,462	565,588

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2022						
Cost						
At 1 January 2022	827,847	722,723	17,057	54,098	92,066	1,713,791
Additions	–	17,415	–	15,449	393	33,257
Disposals	–	–	(486)	–	(1,500)	(1,986)
Disposals of subsidiaries	(29,065)	(5,337)	(1,957)	(15,274)	(5,560)	(57,193)
Exchange differences	(51,842)	(51,512)	(957)	(3,352)	(5,239)	(112,902)
At 31 December 2022	746,940	683,289	13,657	50,921	80,160	1,574,967
Accumulated depreciation and impairment						
At 1 January 2022	573,204	279,453	15,687	21,393	69,945	959,682
Depreciation provided for the year	13,055	28,946	550	7,920	4,004	54,475
Disposals	–	–	(10)	–	(1,768)	(1,778)
Disposals of subsidiaries	(7,363)	(5,337)	(1,860)	(3,367)	(5,267)	(23,194)
Exchange differences	(32,190)	(20,326)	(903)	(1,483)	(2,833)	(57,735)
At 31 December 2022	546,706	282,736	13,464	24,463	64,081	931,450
Net book amount	200,234	400,553	193	26,458	16,079	643,517

As at 31 December 2023, land use rights (as included in right-of-use assets) and certain of the remaining property, plant and equipment with net book value of HK$347,977,000 (2022: HK$385,904,000) and HK$190,447,000 (2022: HK$197,648,000) respectively are pledged as collateral for the Group's borrowings (Note 25).

16. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
At fair value		
Opening balance at 1 January	**2,942,081**	5,380,718
Additions *(a)*	**4,473**	2,508
Disposal	**(42,900)**	–
Disposal of subsidiaries	**–**	(1,762,648)
Termination of leases	**(2,262)**	(6,392)
Exchange differences	**(119,046)**	(368,786)
Net changes from fair value adjustments	**(154,062)**	(303,319)
Closing balance at 31 December	**2,628,284**	2,942,081

(a) The Group has leased certain retail stores and apartments from individuals for the sole purpose to sub-lease out for rental income (the "**Sub-lease Arrangements**"). These leased properties have been classified as right-of-use assets in accordance with HKFRS 16 and have been included as investment properties of the Group. Additions to investment properties for the year ended 31 December 2023 included the right-of-use assets as recognized for the leased properties of approximately HK$4,473,000 (2022:HK$2,508,000). As at 31 December 2023, the carrying amounts of the properties under the Sub-lease Arrangements amounted to HK$34,445,000 (2022: HK$47,489,000)

(b) Amounts recognized in profit and loss for investment properties

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000
Rental income	**125,560**	148,444
Direct operating expenses	**(59,433)**	(65,258)
	66,127	83,186

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured deferred income tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Cushman & Wakefield International Property Advisers (Shanghai) CO. LTD. ("**Shanghai Cushman & Wakefield**"), to determine the fair value of the investment properties as at 31 December 2023. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table summarized the fair values of investment properties analysed by fair value hierarchy levels:

	Fair value measurements at 31 December 2023				
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total RMB'000
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,008,302	1,008,302	936,735
– Car parking area – Shanghai	–	92,570	–	92,570	86,000
– Shopping malls – Yangzhou	–	–	233,579	233,579	217,000
– Shopping malls – Qingdao	–	–	909,558	909,558	845,000
– Shopping malls – Nantong	–	–	349,830	349,830	325,000
– Leased properties classified as right-of-use assets – Shanghai	–	–	34,445	34,445	32,000
	–	92,570	2,535,714	2,628,284	2,441,735

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Description	Fair value measurements at 31 December 2022				
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total RMB'000
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,187,235	1,187,235	1,050,000
– Car parking area – Shanghai	–	97,240	–	97,240	86,000
– Shopping malls – Yangzhou	–	–	258,930	258,930	229,000
– Shopping malls – Qingdao	–	–	973,533	973,533	861,000
– Shopping malls – Nantong	–	–	377,654	377,654	334,000
– Leased properties classified as right-of-use assets – Shanghai	–	–	47,489	47,489	42,000
	–	97,240	2,844,841	2,942,081	2,602,000

All of the Group's investment properties are located in the PRC and the fair values of these investment properties are all denominated in RMB. Despite these consolidated financial statements are presented in HK$, the fair values of each investment properties in RMB have also been presented above to better reflect the changes in the fair values of these investment properties (by excluding the impact of the changes in exchanges rates of RMB against HK$).

There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2023 and 2022.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2023					
	Shopping malls				Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2023	**1,187,235**	**258,930**	**973,533**	**377,654**	**47,489**	**2,844,841**
Addition	**–**	**–**	**–**	**–**	**4,473**	**4,473**
Disposal	**(42,900)**	**–**	**–**	**–**	**–**	**(42,900)**
Termination of leases	**–**	**–**	**–**	**–**	**(2,262)**	**(2,262)**
Loss from fair value adjustments	**(99,779)**	**(13,295)**	**(17,726)**	**(9,971)**	**(13,291)**	**(154,602)**
Exchange differences	**(36,254)**	**(12,056)**	**(46,249)**	**(17,853)**	**(1,964)**	**(114,376)**
Closing balance at 31 December 2023	**1,008,302**	**233,579**	**909,558**	**349,830**	**34,445**	**2,535,714**

	Year ended 31 December 2022						
	Shopping malls					Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Nanjing HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2022	1,284,724	2,064,273	309,809	1,114,383	413,057	94,178	5,280,424
Addition	–	–	–	–	–	2,508	2,508
Loss from fair value adjustments	(29,617)	(150,291)	(28,343)	(58,460)	(4,333)	(36,940)	(307,984)
Disposal of subsidiaries	–	(1,762,648)	–	–	–	–	(1,762,648)
Exchange differences	(67,872)	(151,334)	(22,536)	(82,390)	(31,070)	(12,257)	(367,459)
Closing balance at 31 December 2022	1,187,235	–	258,930	973,533	377,654	47,489	2,844,841

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2023 and 2022 by an independent professionally qualified valuer who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Accountant. Discussions of valuation processes and results are held between the Chief Accountant, the valuation team and the valuer at least once every year. As at 31 December 2023, the fair values of investment properties have been determined based on the valuation performed by Shanghai Cushman & Wakefield.

At the end of each reporting period, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses properties valuations movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the Chief Accountant and the valuation team.

Valuation techniques

For certain car parking area in Shanghai, the valuation was determined using the income approach. For remaining car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project without adjustment on significant unobservable inputs.

For certain shopping malls in Shanghai, Qingdao, Nantong and the leased properties in Shanghai, the valuation was determined using the income approach. For shopping malls in Yangzhou and the remaining shopping malls in Shanghai and Nantong, the valuation was determined using a combination of income capitalization approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarized as the following tables.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Capitalization Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from from RMB115/square meter ("**sq.m.**") – RMB364/sq.m. (2022: RMB117/sq.m. – RMB374/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5% – 6%. (2022: 4.5% – 6%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	**Direct Comparison Approach** The key inputs are based on market observable transactions of similar properties	N/A	N/A

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Car parking area (2022: Shopping malls and car parking area) in Zendai Xizhen Thumb Plaza located in Qingpu, Shanghai	**Level 3**	**Income Capitalization Approach (2022: Income Capitalization Approach and Direct Comparison Approach)** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per sq.m.	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB300/unit (2022: RMB46/sq.m. – RMB76/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 4% (2022: 4% – 5%).	The higher the reversionary yield, the lower the fair value.
			3) N/A (2022: Price per sq.m., using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB20,335/sq.m. for the base level.)	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Yangzhou Commercial Project located in Yangzhou City	**Level 3**	**Income Capitalization Approach and Direct Comparison Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per sq.m.	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB76/sq.m. – RMB108/sq.m. (2022: RMB79/sq.m. – RMB114/sq.m.)	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5% – 5.5% (2022: 4.5% – 5.5%).	The higher the reversionary yield, the lower the fair value.
			3) Price per sq.m., using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB17,400/sq.m. (2022: RMB18,600/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Capitalization Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB46/sq.m. – RMB225/sq.m. (2022: RMB54/sq.m. – RMB230/sq.m.	The higher the monthly unit rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 6% – 7% (2022: 6% – 7%)	The higher the reversionary yield, the lower the fair value.
Property 6 – Commercial Projects of Nantong Yicheng Thumb Plaza located in Nantong City	**Level 3**	**Income Capitalization Approach and Direct Comparison Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield (3) Price per sq.m.	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB36/sq.m. – RMB73/sq.m. (2022: RMB41/sq.m. – RMB75/sq.m.).	The higher the monthly rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6% (2022: 6%).	The higher the reversionary yield, the lower the fair value.
			3) Price per sq.m., using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB12,286/sq.m. (2022: RMB12,706/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Properties 7 – Leased properties in Shanghai classified as right-of-use assets	**Level 3**	**Income Capitalization Approach** The key inputs are: (1) Monthly unit rent (2) Reversionary yield	1) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB346/sq.m. – RMB 577/sq.m. (2022: RMB309/sq.m. – RMB592/sq.m.).	The higher the monthly rent, the higher the fair value.
			2) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 7.5%. (2022: 7.5%)	The higher the reversionary yield, the lower the fair value.

(d) Non-current assets pledged as security

As at 31 December 2023 and 2022, investment properties of the Group with fair values of HK$1,996,722,000 and HK$2,568,950,000, respectively, were pledged as collateral for the Group's borrowings (Note 25).

17. INVESTMENTS IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2023:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB820,000,000	–	100%
Shanghai Zendai Delta Land Company Limited 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB15,000,000	–	100%
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB20,000,000	–	100%
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB5,000,000	–	100%

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2023: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB250,000,000	–	100%
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB600,000,000	–	100%
Qingdao Zendai 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD24,000,000	–	50%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙台証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB150,000,000	–	70%
Auto Win Investments Limited	British Virgin Islands, limited company	Properties rental in the PRC	USD1	100%	–
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Nantong Zendai Real Estate Co., Ltd. 南通証大置業有限公司	The PRC, limited liability company	Property development and investment in the PRC	RMB100,000,000	–	100%
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB500,000	–	100%

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2023: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司 ("**Hainan Huayi**")	The PRC, limited liability company	Property development in the PRC	RMB88,000,000	–	60%
Yangzhou Zendai Commercial Traveling Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property rental in the PRC	RMB500,000	–	80%

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

(b) As at 31 December 2023, the non-controlling interest of HK$126,258,000 mainly includes the interest of the minority shareholder of Hainan Huayi of HK$76,165,000. As at 31 December 2023, the total assets and total liabilities of Hainan Huayi are HK$259,277,000 and HK$68,865,000 respectively, The net comprehensive loss and net decrease in cash and cash equivalents of Hainan Huayi are HK$153,666,000 and HK$999,000 respectively for the year ended 31 December 2023.

Hainan Huayi was subsequently disposed to a third party through a judicial auction as disclosed in Note 2.1.

(c) As at 31 December 2023 and 2022, certain equity interests of the subsidiaries of the Group are pledged to secure certain borrowings granted to the Group.

18. INTEREST IN AN ASSOCIATE

(a) Investment in an associate

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
At 1 January	**–**	–
Share of results	**–**	–
At 31 December	**–**	–

The Group's investment in an associate and details of which are as below:

Name of entity	Place of business/ country of incorporation	Particulars of paid-in capital	Percentage of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("**Zendai Himalayas**") 上海証大喜瑪拉雅有限公司	The PRC	Registered capital RMB633,630,000	45% (2022: 45%)	Hotel operation

(i) There were no contingent liabilities or capital commitments relating to the Group's investment in the associate. The Group has shared the loss of the associate only up to the extent that the Group's interest in the associate was reduced to zero as the Group has not incurred any legal or constructive obligations to recognize additional losses. The unrecognized share of losses of the associate for the year ended 31 December 2023 amounted to approximately HK$136,742,000 (2022:HK$165,287,000) and the cumulative unrecognized amounts up to 31 December 2023 amounted to approximately HK$786,028,000 (2022:HK$649,286,000).

18. INTEREST IN AN ASSOCIATE *(Continued)*

(a) Investment in an associate *(Continued)*

(ii) Summarized financial information for the associate

Set out below is the summarized financial information of Zendai Himalayas as at 31 December 2023 and 2022 and for the respective years then ended. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarized balance sheet	**As at 31 December**	
	2023	2022
	HK$'000	HK$'000
Current assets	**45,844**	30,318
Non-current assets	**3,116,474**	3,394,800
Current liabilities	**(4,317,291)**	(4,328,230)
Non-current liabilities	**(327,902)**	(344,444)
Net liabilities	**(1,482,875)**	(1,247,556)
Included in the above amounts are:		
Investment properties	**2,730,075**	2,953,156
Cash and cash equivalents	**16,564**	10,102
Current financial liabilities (excluding trade and other payable)	**(3,100,808)**	(3,253,661)

Summarized statement of comprehensive income	**Year ended 31 December**	
	2023	2022
	HK$'000	HK$'000
Revenue	**152,264**	80,896
Losses from operations	**(303,870)**	(367,305)
Other comprehensive income/(loss)	**68,551**	84,088
Included in the above amounts are:		
Depreciation and amortization	**(84,132)**	(88,700)
Interest income	**67**	1
Interest expense	**(188,611)**	(199,529)

18. INTEREST IN AN ASSOCIATE *(Continued)*

(b) Amount due from an associate

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Amount due from an associate	**330,031**	326,500
Less: provision for loss allowance	**(330,031)**	(326,500)
Amount due from an associate – net	**–**	–
Less: non-current portion	**–**	–
Current portion	**–**	–

(i) In 2020, the Group obtained the results on the declaratory lawsuit against the associate for recovering the receivable amounts and claimed interests on any outstanding receivable amounts at a fixed rate of 6% per annum until such time as the associate has fully repaid the related amounts. The court ruled in favour of the Group's claims in April 2020 (the "**Court Ruling**") and confirmed the amount owing by the associate and that the Group is entitled to interests on any outstanding amounts from November 2015 until such time as the associate has fully repaid the related amounts. As disclosed in Note 18(a), the associate suffered from significant losses. In addition, the associate was unable to repay its bank borrowings and interests in accordance with the original contractual terms (with more details in Note 5.1(b)(ii)(a)) and these defaults combined with the unfavourable operating environment posted significant pressure on the liquidity of the associate. As at 31 December 2023 and 2022, considering the liquidity problem as encountered by the associate, amount due from the associate was fully impaired and the Group has not recognized interest income as entitled by the Group of approximately HK$20,768,000 for the year ended 31 December 2023 (2022: HK$20,209,000) pursuant to the Court Ruling.

18. INTEREST IN AN ASSOCIATE *(Continued)*

(c) Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associate

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Opening net liabilities at 1 January	**(1,247,556)**	(964,339)
Loss for the year	**(303,870)**	(367,305)
Exchange differences	**68,551**	84,088
Closing net liabilities at 31 December	**(1,482,875)**	(1,247,556)
Group's share of net liabilities of the associate *(Note)*	**–**	–

Note:

As mentioned in Note 18(a)(i), the Group does not have any legal or constructive obligations to share further losses of the associate when the Group's interest in the associate was reduced to zero.

19. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Properties under development		
– Beyond a normal operating cycle included under non-current assets	**567,648**	726,619
Completed properties held-for-sale	**178,385**	195,669
	746,033	922,288

During the year ended 31 December 2023, impairment provision of HK$8,117,000 (2022: HK$47,162,000) has been recognized in costs of sales which is mainly attributable to the change in estimated net realizable value of certain completed properties held-for-sale located in the PRC due to current market condition, and impairment provision of HK$128,414,000 (2022: HK$nil) has been recognized in other income, gains and expenses in relation to properties under development held by Hainan Huayi subsequently disposed through a judicial auction as disclosed in Note 2.1.

As at 31 December 2023, the accumulated impairment provision is HK$207,085,000 (2022: HK$58,356,000).

As at 31 December 2023, certain properties under development and completed properties held-for-sale with carrying amount of HK$nil (2022: HK$326,192,000) are pledged to banks to secure certain borrowings granted to the Group (Note 25).

Properties under development and completed properties held-for-sale which are expected to be recovered in more than twelve months after the end of reporting period are still classified under current assets if they are expected to be realized within the Group's normal operating cycle. As at 31 December 2023, properties under development of HK$567,648,000 (2022: HK$726,619,000) which are not expected to be developed within the Group's normal business cycle are therefore classified as non-current assets.

As at 31 December 2023, there are no completed properties held-for-sale that are expected by management to be realized through the delivery of the related properties to the customers after twelve months from the end of reporting period (2022: HK$nil).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade receivables	**111,219**	67,407
Less: provision for loss allowance	**(14,593)**	(5,468)
Trade receivables – net *(a)*	**96,626**	61,939
Other receivables	**301,088**	351,237
Deposits	**9,152**	310
	310,240	351,547
Less: provision for loss allowance *(b)*	**(93,038)**	(66,476)
Other receivables – net	**217,202**	285,071
Prepayments	**3,741**	7,689
	317,569	354,699

The balance of other receivables included the consideration receivable from disposal of subsidiaries (Note 31) of HK$nil (2022: HK$189,565,000). The consideration receivable was applied to the settlement of a litigation during the year.

As at 31 December 2023 and 2022, the majority of the Group's trade and other receivables and prepayments are denominated in RMB.

As at 31 December 2023, the carrying amounts of trade and other receivables and prepayments approximated their fair values.

The Group generally grants no credit period to its customers on sales of properties and hotel operation, and up to 30 days for properties rental, management and agency service, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(a) The aging analysis of trade receivables before provision for loss allowance based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 3 months	**83,213**	53,026
More than 3 months but less than 12 months	**14,365**	5,926
More than 12 months	**13,641**	8,455
	111,219	67,407

Movements in the provision for loss allowance on trade receivables are as follows:

	2023	2022
	HK$'000	HK$'000
At 1 January	**(5,468)**	(6,965)
Net provision for the year *(i)*	**(9,211)**	(2,188)
Disposal of subsidiaries	**–**	2,789
Exchange differences	**86**	896
At 31 December	**(14,593)**	(5,468)

(i) For the year ended 31 December 2023, net provision did not include any reversal of provision (2022: included reversal of provision of HK$285,000).

As at 31 December 2023, other receivables included certain cooperation intention deposits of HK$53,241,000 (2022: HK$56,550,000) which were paid to third party companies in prior years for cooperation in certain real estate projects.

The Group decided not to be proceed with those projects and negotiated with the counterparties to return the intention deposits. The amount was fully impaired as at 31 December 2021. As at 31 December 2023, the cumulative ECLs on these receivable balances amounted to HK$53,241,000 (2022: HK$56,550,000).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(b) Movements in the provision for loss allowance on other receivables are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
At 1 January	**(66,476)**	(217,979)
Provision for the year	**(26,810)**	(19,987)
Disposal of subsidiaries	**–**	159,288
Exchange differences	**248**	12,202
At 31 December	**(93,038)**	(66,476)

21. PLEDGED DEPOSITS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current portion	**2,698**	582
Current portion	**7,936**	119,840
	10,634	120,422

Pledged deposits of HK$10,634,000 (2022: HK$120,422,000) are pledged to banks and a financial institution to secure certain borrowings of the Group (Note 25). The pledged deposits carry interest ranging from 0.20% to 3.45% (2022: 0.30% to 2.00%) per annum.

22. CASH AND BANK BALANCES

Cash and bank balances include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash on hand	**145**	1,362
Cash at bank	**114,866**	134,568
Restricted bank balances *(i)*	**7,654**	15,904
Cash and cash equivalents	**122,665**	151,834

(i) The bank balances are restricted for the sole use of the construction of a specified project of the Group and balances under custodian by the courts.

As at 31 December 2023 and 2022, the Group had no bank overdrafts balance.

22. CASH AND BANK BALANCES *(Continued)*

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
RMB	**105,152**	148,887
USD	**16,027**	241
HK$	**1,486**	2,706
Cash and cash equivalents	**122,665**	151,834

23. FINANCIAL ASSETS AT FAIR VALUE

Movements in financial assets at FVOCI and financial assets at FVPL are as below:

	FVOCI	**FVPL**
	HK$'000	**HK$'000**
At 1 January 2022	24,331	21,572
Changes in fair value	(6,261)	–
Recognition upon disposal of subsidiaries *(Note 31)*	53,516	–
Disposal of subsidiaries *(Note 31)*	–	(11,606)
Exchange differences	(1,646)	(1,629)
At 31 December 2022	69,940	8,337
At 1 January 2023	**69,940**	**8,337**
Changes in fair value	**653**	**–**
Reclassification	**–**	**(8,169)**
Exchange differences	**(3,378)**	**(168)**
At 31 December 2023	**67,215**	**–**

23. FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

Details of financial assets at fair value are as below:

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
Unlisted equity investments in PRC	**67,215**	69,940
Wealth management product purchased from a financial institution	**–**	8,337
	67,215	78,277
Less: non-current portion	**(67,215)**	(69,940)
Current portion	**–**	8,337

The Group's financial assets carried at fair value at 31 December 2023 and 2022 arrived at on the basis of valuations carried out on those dates by the Group's management. The valuation techniques used in determining the fair value measurement of financial instruments is arrived at with details as follows. There has been no change in the valuation technique used from prior year.

Financial assets	**Fair value as at 31 December** **2023** **HK$'000**	2022 HK$'000	**Fair value hierarchy**	**Valuation technique(s)**	**Significant unobservable inputs**	**Range**	**Relationship of unobservable input(s) to fair value**
Unlisted equity securities:							
– retained interests in disposed subsidiaries	**59,965**	53,516	3	Summation method: aggregation of values of each separate line of assets and liabilities of the unlisted equity investments, after adjusted to their corresponding fair values.	Minority discount	23.05% (2022: 21.48%)	(i) The higher the minority discount rates, the lower the fair value. (ii) The higher the fair values of the underlying assets of the unlisted equity investments, the higher the fair value.
– a private company in the PRC	**7,250**	16,424	3				
– Wealth management product	**–**	8,337	1	Quoted prices in an active market	N/A	N/A	N/A

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade payables *(a)*	**219,952**	219,071
Other payables and accruals *(b), (c)*	**939,094**	901,933
Contract liabilities/receipts in advance *(d)*	**15,233**	22,299
	1,174,279	1,143,303

As at 31 December 2023 and 2022, the majority of the Group's trade and other payables are denominated in RMB.

As at 31 December 2023, the carrying amounts of trade and other payables approximated their fair values.

Trade payables comprises of construction cost payables and payables to suppliers of hotel operation and properties rental, management and agency services.

(a) The aging analysis of construction cost payable is based on date of when the construction services have been verified with the contractors and is based on date of invoices in respect of payables to suppliers of hotel operation and properties rental, management and agency services and is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 3 months	**58,458**	55,968
More than 3 months but less than 12 months	**25,476**	20,486
More than 12 months	**90,714**	91,370
	176,648	167,824
Retention money	**45,304**	51,247
	219,952	219,071

24. TRADE AND OTHER PAYABLES *(Continued)*

(b) As at 31 December 2023, other payables and accruals primarily comprise of turnover tax payable, interest payable (including the late penalty surcharges arising from overdue borrowings as mentioned in Note 25(c)), deposits received and proceeds for assets held for sale of HK$22,437,000, HK$411,246,000, HK$90,865,000 (2022: HK$15,731,000, HK$510,116,000, HK$121,021,000) respectively.

As at 31 December 2023, interest payable of HK$382,058,000 (2022: HK$502,038,000) are related to defaulted borrowings with the principal amounts totaling HK$895,103,000 (2022: HK$1,037,950,000) which have not been repaid in accordance with contractual repayments dates.

(c) Pursuant to the terms as set out in the Debt Restructuring Agreement as mentioned in Note 25(c), the interest and late penalty surcharge payable in connection with the borrowings from the Associated Company (subsequently referred to as the Defaulted Restructured Borrowing) as at 31 December 2020 would be repayable only upon when the principal amounts of the related borrowings have been fully repaid and therefore the related interest payable were classified as non-current liabilities. Since the Group was unable to repay in accordance with the repayment schedule stated in the Debt Restructuring Agreement, interest payables of HK$73,766,000 (2022: HK$53,594,000) was classified as current liabilities as at 31 December 2023.

(d) Contract liabilities/receipts in advance

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
Receipts in advance from sales of properties	**6,458**	–
Receipts in advance from disposal of investment properties	**–**	22,299
Receipts in advance of property service performed	**8,775**	–
	15,233	22,299

Out of the contract liabilities/receipts in advance as at 31 December 2022, no revenue has been recognized during the year ended 31 December 2023 (2022: HK$14,324,000).

25. BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Secured or guaranteed *(a)*		
Bank borrowings	**919,547**	1,099,625
Borrowings from other financial institutions *(c)*	**849,248**	1,037,950
	1,768,795	2,137,575

At the end of reporting period, the borrowings were repayable as follows:

Within one year	**1,174,251**	1,851,960
More than one year, but not exceeding two years	**186,287**	34,645
More than two years, but not exceeding five years	**301,263**	103,934
After five years	**106,994**	147,036
Total borrowings	**1,768,795**	2,137,575
Less: amount repayable within one year included in current liabilities *(d)*	**(1,174,251)**	(1,851,960)
Amount repayable after one year	**594,544**	285,615

(a) As at 31 December 2023, borrowings of HK$1,515,227,000 (2022: HK$1,871,128,000) were secured by certain hotel properties (Note 15), investment properties (Note 16), properties under development (Note 19), pledged deposits (Note 21) and certain equity interests of the subsidiaries of the Group (Note 17). In addition, borrowings of HK$687,389,000 (2022: HK$722,152,000) was continued to be guaranteed by former subsidiaries upon the completion of the Myway Disposal (Note 32 (c)(i)).

(b) The Group's borrowings bear interests at rates ranged from 4.15% to 18.25% (2022: 3.85% to 24.00%) per annum.

25. BORROWINGS *(Continued)*

(c) Details of the Group's Defaulted Borrowings and the Defaulted Restructured Borrowing are set out in Note 2.1. Borrowings of HK$4,397,712,000 was derecognized upon disposal of subsidiaries (Note 31) for the year ended 31 December 2022.

(d) As at 31 December 2023, the current borrowings included the borrowings that will be due for repayment within next twelve months, the Defaulted Borrowings and the Cross-Defaulted Borrowings of HK$279,148,000, HK$895,103,000 and HK$nil (2022: HK$187,602,000, HK$1,037,950,000 and HK$626,408,000) respectively.

(e) The People's Bank of China (the "**PBOC**") and relevant government body introduced a long-term rule referred to as the "Three Red Lines" in August 2020 which imposes limits on additional financing to property developers if certain thresholds are exceeded in order to establish stronger financial supervision over real estate companies. The rule aims to promote a more stable development of the real estate market, and a more robust financing mechanism. The Group expects that this rule will continue to have a significant impact on the industry's development as well as a tightening of available financing.

(f) The carrying amount of the Group's borrowing according to contractual maturities of repayment schedule at the end of the year are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 1 year	**1,174,251**	1,484,935
1-5 years	**594,544**	652,640
	1,768,795	2,137,575

(g) The Group's borrowings are all denominated in RMB.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Movements in liabilities from financing activities:

	Liabilities from financing activities			
	Amounts due to minority owners of subsidiaries due within 1 year[i] HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2022	(122,770)	(6,976,483)	(98,545)	(7,197,798)
Financing cash flows	–	(88,513)	20,671	(67,842)
Interest paid – operating cash flows	–	–	6,729	6,729
Foreign exchange adjustments	9,593	529,709	7,292	546,594
New leases entered	–	–	(19,923)	(19,923)
Disposal of subsidiaries	–	4,397,712	–	4,397,712
Termination of leases	–	–	7,221	7,221
Other non-cash movements	–	–	(6,729)	(6,729)
As at 31 December 2022	(113,177)	(2,137,575)	(83,284)	(2,334,036)
As at 1 January 2023	(113,177)	(2,137,575)	(83,284)	(2,334,036)
Financing cash flows	–	273,913	26,752	300,665
Interest paid – operating cash flows	–	–	4,278	4,278
Foreign exchange adjustments	5,435	94,867	3,260	103,562
New leases entered	–	–	(5,053)	(5,053)
Termination of leases	–	–	2,195	2,195
Other non-cash movements	–	–	(4,724)	(4,724)
As at 31 December 2023	(107,742)	(1,768,795)	(56,576)	(1,933,113)

(i) As at 31 December 2023 and 2022, the amounts due to minority owners of subsidiaries are interest free and repayable on demand.

27. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Tax prepayments		
LAT prepayments	**6,547**	14,396

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Tax payables		
EIT payable	**5,719**	16,810
LAT payable	**41,784**	91,896
	47,503	108,706

28. DEFERRED INCOME TAX

Details of the deferred income tax recognized and movements during the current and the prior years were as follows:

Deferred income tax liabilities	Revaluation of property, plant and equipment HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on unremitted earnings of subsidiaries HK$'000	Recognized revenue over time HK$'000	Total HK$'000
At 1 January 2022	(139,289)	(138,861)	(263,330)	(51,309)	(29)	(592,818)
Credited to income statement	5,096	75,908	3,451	–	–	84,455
Disposal of subsidiaries	–	(40,911)	240,092	44,216	27	243,424
Exchange differences	10,365	8,090	19,787	3,876	2	42,120
At 31 December 2022 and 1 January 2023	(123,828)	(95,774)	–	(3,217)	–	(222,819)
Credited to income statement	4,840	49,240	–	3,153	–	57,233
Exchange differences	5,809	873	–	64	–	6,746
At 31 December 2023	**(113,179)**	**(45,661)**	**–**	**–**	**–**	**(158,840)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2023, the Group did not recognize deferred income tax assets of HK$246,690,000 (2022: HK$398,047,000) in respect of cumulative tax losses amounting to HK$988,512,000 (2022: HK$1,593,939,000) that can be carried forward against future taxable income.

As at 31 December 2023, cumulative tax losses amounting to HK$5,149,000 (2022: HK$5,149,000) can be carried forward indefinitely and the tax losses of HK$983,363,000 (2022: HK$1,588,790,000) will expire in five years' time (out of which tax losses of HK$278,052,000 (2022: HK$712,074,000) is expiring within one year).

As at 31 December 2023, the Group had unrecognized deductible temporary differences on impairment loss on properties under development and completed properties held-for sale, property, plant and equipment, ECL on financial assets, ECL on amount due from former subsidiaries and provision for financial guarantees of approximately HK$207,085,000, HK$200,595,000, HK$437,662,000, HK$410,975,000, HK$309,866,000 (2022: HK$58,356,000, HK$226,964,000, HK$398,443,000, HK$893,728,000 and HK$144,437,000), respectively. No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

29. SHARE CAPITAL

(a) Authorized and issued share capital

Authorized	As at 31 December			
	2023 Number	**2023 HK$'000**	2022 Number	2022 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2023 Number	**2023 HK$'000**	2022 Number	2022 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share option scheme

The Company adopted a share option scheme on 26 June 2012 (the "**2012 Share Option Scheme**"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which had expired on 25 June 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the Directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

29. SHARE CAPITAL

(b) Share option scheme *(Continued)*

2012 Share option scheme (Continued)

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No options have been granted under the 2012 Share Option Scheme during the years ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, no options were outstanding as all the options previously granted were all lapsed prior to 31 December 2018.

30. LEASES

(a) The Group as the lessor

As at 31 December 2023 and 2022, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties and leased properties as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Not later than one year	**78,684**	145,057
Later than one year and not later than five years	**164,794**	312,885
Later than five years	**7,146**	29,183
	250,624	487,125

(b) The Group as the lessee

(i) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Right-of-use assets		
Land use rights (included in property, plant and equipment *(Note 15)*)	**353,735**	400,553
Leased properties (included in investment properties *(Note 16(a)*))	**34,445**	47,489
	388,180	448,042
Lease liabilities		
Current	**33,238**	40,728
Non-current	**23,338**	42,556
	56,576	83,284

Additions to the right-of-use assets which are included as investment properties and property, plant and equipment during the year ended 31 December 2023 were HK$4,474,000 (2022: HK$2,508,000) and HK$580,000 (2022: HK$17,415,000), respectively.

30. LEASES *(Continued)*

(b) The Group as the lessee *(Continued)*

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Depreciation charge of right-of-use assets included in property, plant and equipment	**27,400**	28,946
Decrease in fair value of right-of-use assets classified as investment properties under the Sub-lease Arrangements	**13,291**	36,940
Interest expense on lease liabilities (included in finance costs) *(Note 11)*	**4,724**	6,729

The total cash outflow for leases (including short-term lease) in 2023 was HK$32,603,000 (2022: HK$31,055,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases certain office buildings, retail stores and apartments. Rental contracts are typically made for fixed periods of 1 to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

31. DISPOSAL OF SUBSIDIARIES

On 21 July 2022, the Shareholders of the Company resolved to dispose of the entire issued share capital of Myway Developments Limited, a direct wholly-owned subsidiary of the Company and its subsidiaries (collectively the "**former subsidiaries**"), which carried out property development and investment business in the PRC to Power Rider Enterprises Corp, an associated company of a substantial shareholder of the Company (the "**Myway Disposal**"). The transaction was completed on 27 December 2022.

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

Net liabilities of the subsidiaries disposed of were as follows:

	Notes	2022 HK$'000
Property, plant and equipment		33,999
Investment properties		1,762,648
Properties under development and completed properties held-for-sales		4,876,289
Inventories		697
Trade and other receivables and prepayments		195,337
Deposits for properties under development		29,383
Financial assets at FVPL		11,606
Amounts due from the Group		1,383,454
Tax prepayments		208,917
Cash and bank balances (including restricted bank balances of HK$48,832,000)		78,942
Asset classified as held-for-sale		2,829
Trade and other payables		(4,131,756)
Contract liabilities/receipts in advance		(2,072,394)
Amounts due to the Group		(2,175,013)
Borrowings		(4,397,712)
Tax payables		(578,158)
Deferred income tax liabilities		(243,424)
Net liabilities disposed of		(5,014,356)
Cash consideration		254,408
Fair value of retained interests in disposed subsidiaries as financial assets at FVOCI	*23*	53,516
Net liabilities disposed of		5,014,356
Exchange reserve released		(65,527)
Gain on disposal of subsidiaries		5,256,753
Less:		
Impairment losses on amounts due from former subsidiaries	*33(ii)*	(893,728)
Provision for financial guarantees	*34(b)*	(144,437)
Net gain on disposal of subsidiaries		4,218,588

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

	2022 HK$'000
Cash consideration	254,408
Cash received	(64,843)
Consideration receivable	189,565
Net cash outflow arising on disposal:	
Cash received	64,843
Cash and bank balances disposed of	(78,942)
	(14,099)

32. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2023, Nantong Sanjian Holding (HK) Co. Limited ("**NTHK**"), as the shareholder with largest shareholding in the Company, and Smart Success Capital Ltd., as a substantial shareholder of the Company, directly held 29.99% and 18.17% respectively in the issued shares of the Company.

Smart Success Capital Ltd. is indirectly controlled by COAMI, which is ultimately held by China Orient Asset Management Co., Ltd. NTHK is indirectly controlled by Nantong Sanjian Holding Co., Ltd.

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

32. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
Short-term benefits	**7,839**	9,015
Post-employment benefits	**626**	648
	8,465	9,663

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Balances with related parties

	Amounts due from related parties As at 31 December		Amounts due to related parties As at 31 December	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Amount due from an associate *(Note i and 18(b))*	**–**	–	**–**	–
Borrowings due to COAMI and its subsidiary *(Note ii)*	**–**	–	**–**	–

Note:

(i) Amount due from an associate of HK$330,031,000 (2022: HK$326,500,000) was full impaired in prior year.

(ii) Borrowings due to associated companies ("**Associated Companies**") of a shareholder include borrowings due to COAMI's subsidiary of HK$207,714,000 (2022: HK$218,192,000). Borrowings of HK$1,499,744,000 had been derecognized upon the disposal of subsidiaries (Note 31) for the year ended 31 December 2022. The Associated Companies are not deemed as the related parties to the Company in accordance with respective Hong Kong Accounting Standards.

32. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) Transactions with related parties

(i) According to the Myway Disposal agreement, the Group charges the former subsidiaries a guarantee fee equivalent to 1% of the guaranteed amount per annum from date of Myway Disposal (Note 31) until the date of release of these guarantees. Guarantee income of HK$13,228,000 (2022: HK$nil) was recognized during the year ended 31 December 2023.

As at 31 December 2023, borrowings of HK$687,389,000 (2022: HK$722,152,000) were secured by former subsidiaries. From the date of Myway Disposal (Note 31) until the date of release of these guarantees, the former subsidiaries charge the Group a 1% guarantee fee per annum for the guaranteed amount. Guarantee fee expense of HK$9,406,000 (2022: HK$nil) was provided for the year ended 31 December 2023.

(ii) According to the Myway Disposal agreement, amounts due from and to former subsidiaries are interest-bearing at the rate of 11.9% per annum. Interest income of HK$84,022,000 (2022: HK$nil) and interest expense of HK$469,000 (2022: HK$nil) were recognized during the year ended 31 December 2023.

33. AMOUNTS DUE FROM/TO FORMER SUBSIDIARIES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Amounts due from former subsidiaries *(Note i)*	**821,658**	2,175,013
Less: provision for loss allowance *(Note ii)*	**(410,975)**	(893,728)
Amounts due from former subsidiaries, net	**410,683**	1,281,285

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Amounts due to former subsidiaries *(Note i)*	**18,664**	1,383,454

33. AMOUNTS DUE FROM/TO FORMER SUBSIDIARIES *(Continued)*

(i) Prior to completion of the Myway Disposal, the Group and the former subsidiaries had maintained inter-company balances. As these inter-company balances involved many different business entities of the Group and each of them had its own tax, operational and cashflow concerns for the repayment of these balances, it was impracticable for the relevant parties to settle all the outstanding balances before completion. Having considered the liquidity needs of the Group, amount due from and to former subsidiaries were retained after the Myway Disposal.

Based on the Myway Disposal agreement, the amounts due from and to former subsidiaries are unsecured, interest-bearing at the rate of 11.9% per annum and repayable in full on or before 31 December 2024. In the event that the balances have not been repaid in full as at 31 December 2024, the Group has the right to extend the maturity dates by not more than three years. As at 31 December 2023, the gross amounts due from and due to the former subsidiaries were $821,658,000 and HK$18,664,000 respectively (2022: HK$2,175,013,000 and HK$1,383,454,000 respectively).

(ii) Details of impairment assessment are set out in Note 5.1(b).

34. FINANCIAL GUARANTEES

(a) Financial guarantees in respect of mortgage facilities for certain properties purchasers

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Financial guarantee provided	**4,061**	4,586

As at 31 December 2023 and 2022, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain properties purchasers of the Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective properties purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted properties purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the properties purchasers obtain the "property title certificate" which is then to be pledged with the banks.

The Group has not recognized any ECL provision in connection with the aforesaid financial guarantee contracts as the Directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

34. FINANCIAL GUARANTEES

(b) Financial guarantees issued in respect of borrowings and interest payables of former subsidiaries

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
Financial guarantee issued	**309,866**	144,437

Save as disclosed in Note 5.1(b)(iv), the Group had undertaken to indemnify certain lenders of the former subsidiaries for borrowings and related interest payables to the maximum extent of HK$861,120,000 and HK$410,148,000 (2022: HK$1,105,808,000 and HK$359,811,000) respectively. As at 31 December 2023, provision for these financial guarantee contracts amounted to HK$309,866,000 has been recognized (2022: HK$144,437,000).

The Group recognized loss allowance on financial guarantee contracts of HK$174,497,000 (2022: HK$144,437,000) for the year ended 31 December 2023.

35. COMMITMENTS

	As at 31 December	
	2023 **HK$'000**	2022 HK$'000
Commitments in respect of properties under development and investment properties – contracted for but not provided	**66,022**	64,674

36. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Financial assets at amortized costs HK$'000	**Financial assets at fair value HK$'000**	**Total HK$'000**
Assets			
As at 31 December 2023			
Financial assets at FVOCI	**–**	**67,215**	**67,215**
Amounts due from an associate	**–**	**–**	**–**
Trade and other receivables (excluding prepayments)	**313,828**	**–**	**313,828**
Amounts due from former subsidiaries	**410,683**	**–**	**410,683**
Pledged deposits	**10,634**	**–**	**10,634**
Cash and bank balances	**122,665**	**–**	**122,665**
	857,810	**67,215**	**925,025**

	Financial assets at amortized costs HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2022			
Financial assets at FVPL	–	8,337	8,337
Financial assets at FVOCI	–	69,940	69,940
Amounts due from an associate	–	–	–
Trade and other receivables (excluding prepayments)	347,010	–	347,010
Amounts due from former subsidiaries	1,281,285	–	1,281,285
Pledged deposits	120,422	–	120,422
Cash and bank balances	151,834	–	151,834
	1,900,551	78,277	1,978,828

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Financial liabilities at amortized costs HK$'000	Total HK$'000
Liabilities		
As at 31 December 2023		
Trade and other payables (excluding other taxes and payroll payables)	**1,129,082**	**1,129,082**
Borrowings	**1,768,795**	**1,768,795**
Amounts due to former subsidiaries	**18,664**	**18,664**
Amounts due to minority owners of subsidiaries	**107,742**	**107,742**
Financial guarantee contracts provision	**309,866**	**309,866**
Lease liabilities	**56,576**	**56,576**
	3,390,725	**3,390,725**

	Financial liabilities at amortized costs HK$'000	Total HK$'000
Liabilities		
As at 31 December 2022		
Trade and other payables (excluding other taxes and payroll payables)	1,101,272	1,101,272
Borrowings	2,137,575	2,137,575
Amounts due to former subsidiaries	1,383,454	1,383,454
Amounts due to minority owners of subsidiaries	113,177	113,177
Financial guarantee contracts provision	144,437	144,437
Lease liabilities	83,284	83,284
	4,963,199	4,963,199

37. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**91,398**	169,831
Property, plant and equipment		**17**	2,836
Total non-current assets		**91,415**	172,667
Current assets			
Amounts due from subsidiaries		**–**	–
Amounts due from former subsidiaries		**198,482**	431,388
Other receivables		**860**	204,416
Cash and cash equivalents		**412**	407
Total current assets		**199,754**	636,211
Total assets		**291,169**	808,878
Equity and liabilities			
Deficit attributable to owners of the Company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	*(a)*	**226,912**	226,912
Accumulated losses	*(a)*	**(2,800,319)**	(2,868,949)
Total deficit		**(111,120)**	(179,750)

37. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Liabilities		
Non-current liability		
Lease liabilities	**–**	914
Current liabilities		
Amounts due to subsidiaries	**89,066**	351,091
Amounts due to former subsidiaries	**13**	259,046
Other payables	**105,496**	149,372
Borrowings	**207,714**	226,140
Lease liabilities	**–**	2,065
Total current liabilities	**402,289**	987,714
Total liabilities	**402,289**	988,628
Total equity and liabilities	**291,169**	808,878

The balance sheet of the Company was approved by the Board of Directors on 26 March 2024 and was signed on its behalf.

Mr. Huang Yuhui
Director

Ms. Li Zhen
Director

37. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) *Reserves movement of the Company*

	Other reserves HK$'000	Accumulated losses HK$'000
At 1 January 2022	226,912	(4,682,593)
Profit for the year	–	1,813,644
At 31 December 2022	226,912	(2,868,949)
At 1 January 2023	**226,912**	**(2,868,949)**
Profit for the year	**–**	**68,630**
At 31 December 2023	**226,912**	**(2,800,319)**

38. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company is set out below:

For the year ended 31 December 2023:

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salaries and wages HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive Directors and chief executive:				
Mr. Huang Yuhui *(Chairman of the Board)*	–	–	–	–
Mr. Wang Letian	–	–	–	–
Ms. Li Zhen	–	1,426	–	1,426
Mr. He Haiyang *(Note (iii))*	–	323	76	399
Mr. Long Tianyu *(Note (iii))*	–	–	–	–
Non-executive Directors:				
Ms. Wang Zheng	–	111	–	111
Mr. Zou Yang *(Note(iv))*	–	–	–	–
Mr. Cui Di *(Note (iv))*	–	111	–	111
Mr. Huang Jiawei	–	111	–	111
Independent non-executive Directors:				
Dr. Guan Huanfei	300	–	–	300
Mr. Chen Shuang	300	–	–	300
Mr. Cao Hailiang	300	–	–	300
Dr. Lin Xinzhu	300	–	–	300
Mr. Wang Yuzhou	300	–	–	300
Total	1,500	2,082	76	3,658

38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

The remuneration of every director and the chief executive of the Company is set out below:

For the year ended 31 December 2022:

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salaries and wages HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive Directors and chief executive:				
Mr. Huang Yuhui *(Chairman of the Board)*	–	–	–	–
Mr. Wang Letian	–	–	–	–
Ms. Li Zhen	–	735	–	735
Mr. He Haiyang	–	735	158	893
Mr. Zhang Zelin *(chief executive) (Note (i))*	–	713	101	814
Non-executive Directors:				
Ms. Wang Zheng	233	–	–	233
Mr. Cui Di *(Note (ii))*	117	–	–	117
Mr. Huang Jiawei *(Note (ii))*	117	–	–	117
Mr. Ma Yun *(Note (ii))*	117	–	–	117
Mr. Wu Junao *(Note (ii))*	117	–	–	117
Independent non-executive Directors:				
Dr. Guan Huanfei	300	–	–	300
Mr. Chen Shuang	300	–	–	300
Mr. Cao Hailiang	300	–	–	300
Dr. Lin Xinzhu	300	–	–	300
Mr. Wang Yuzhou	300	–	–	300
Total	2,201	2,183	259	4,643

38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

For the years ended 31 December 2023 and 2022, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were provided by the Group to Directors or chief executive.

Notes:

(i) Mr. Zhang Zelin resigned on 19 August 2022.

(ii) Mr. Ma Yun and Mr. Wu Junao resigned and Mr. Cui Di and Mr. Huang Jiawei were appointed as non-executive directors on 30 June 2022.

(iii) Mr. He Haiyang resigned and Mr. Long Tianyu was appointed as an executive director of the Company on 16 June 2023.

(iv) Mr. Cui Di resigned and Mr. Zou Yang was appointed as a non-executive director of the Company on 24 August 2023.

(v) Directors' retirement benefits and termination benefits

None of the Directors received termination benefits for the year ended 31 December 2023.

(vi) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2023, the Group did not pay consideration to any third parties for making available directors' services.

(vii) Information about loans, quasi-loans and other dealings in favour of Directors, bodies corporate controlled by such Directors and connected entities with such Directors

For the year ended 31 December 2023, the Group did not provide loans, quasi-loans and other dealings in favour of Directors.

(viii) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2023 or at any time during the year ended 31 December 2023.

39. EVENTS AFTER THE REPORTING PERIOD

Except for the disposal of Hainan Huayi Real Estate Co., Ltd. as disclosed in Note 2.1 to the consolidated financial statements, there is no other material event occurred subsequent to 31 December 2023 and up to the date of this report.

FINANCIAL SUMMARY

The following table summarizes the results, assets and liabilities of the Group for the last five years.

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**380,100**	396,621	740,993	4,598,703	1,348,592
(Loss)/profit before income tax expenses	**(51,929)**	2,793,560	(2,163,004)	(809,561)	(1,082,071)
Income tax credit/(expense)	**78,175**	84,778	81,076	(346,945)	20,673
Profit/(loss) for the year	**26,246**	2,878,338	(2,081,928)	(1,156,506)	(1,061,398)

ASSETS AND LIABILITIES

	At 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,890,860**	6,526,021	13,537,545	14,711,841	18,153,275
Total liabilities	**(3,642,265)**	(5,336,755)	(15,329,881)	(14,407,054)	(16,482,719)
Non-controlling interests	**(126,258)**	(203,956)	(226,352)	(233,525)	(61,143)
Balance of shareholders' funds/(deficit)	**1,122,337**	985,310	(2,018,688)	71,262	1,609,413