# SHANGHAI ZENDAI PROPERTY LIMITED
# 上海証大房地產有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 755)**

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4,5* | **396,621** | 740,993 |
| Cost of sales | *7* | **(232,643)** | (930,256) |
| **Gross profit/(loss)** | | **163,978** | (189,263) |
| Other income, gains and expenses | *6* | **(53,874)** | 73,255 |
| Net gain on disposal of subsidiaries | *8* | **4,218,588** | – |
| Net impairment losses on financial assets | | **(22,175)** | (158,448) |
| Impairment of property, plant and equipment | | **–** | (259,157) |
| Selling and marketing expenses | *7* | **(49,135)** | (73,229) |
| Administrative expenses | *7* | **(184,791)** | (300,861) |
| Change in fair value of investment properties | | **(303,319)** | (253,778) |
| Finance costs | *9* | **(975,712)** | (1,001,523) |
| Profit/(loss) before income tax | | **2,793,560** | (2,163,004) |
| Income tax credit | *10* | **84,778** | 81,076 |
| **Profit/(loss) for the year** | | **2,878,338** | (2,081,928) |
| **Profit/(loss) for the year attributable to:** | | | |
| – Owners of the Company | | **2,883,611** | (2,070,423) |
| – Non-controlling interests | | **(5,273)** | (11,505) |
| | | **2,878,338** | (2,081,928) |
| **Earnings/(loss) per share** | | | |
| – Basic | *12* | **HK$19.38 cents** | HK$(13.91) cents |
| – Diluted | *12* | **HK$19.38 cents** | HK$(13.91) cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the year** | **2,878,338** | (2,081,928) |
| **Other comprehensive income/(loss):** | | |
| **Items that may be reclassified to profit or loss:** | | |
| Exchange differences arising on translation of foreign operations | **43,998** | (18,489) |
| Release of exchange reserve upon disposal of subsidiaries | **65,527** | – |
| | **109,525** | (18,489) |
| **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 | **(6,261)** | 3,294 |
| **Other comprehensive income/(loss) for the year, net of tax** | **103,264** | (15,195) |
| **Total comprehensive income/(loss) for the year** | **2,981,602** | (2,097,123) |
| **Total comprehensive income/(loss) attributable to:** | | |
| – Owners of the Company | **3,003,998** | (2,089,950) |
| – Non-controlling interests | **(22,396)** | (7,173) |
| **Total comprehensive income/(loss) for the year** | **2,981,602** | (2,097,123) |

## CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 December 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **643,517** | 754,109 |
| Investment properties | | **2,942,081** | 5,380,718 |
| Financial assets at FVOCI | *15* | **69,940** | 24,331 |
| Amount due from an associate | | **–** | – |
| Properties under development | | **726,619** | 812,246 |
| Pledged bank deposits | *14* | **582** | 12,231 |
| **Total non-current assets** | | **4,382,739** | 6,983,635 |
| **Current assets** | | | |
| Properties under development and completed properties held-for-sale | | **195,669** | 5,465,290 |
| Inventories | | **1,435** | 2,365 |
| Trade and other receivables and prepayments | *13* | **354,699** | 283,874 |
| Deposits for properties under development | | **15,787** | 4,952 |
| Amounts due from former subsidiaries | | **1,281,285** | – |
| Amount due from an associate | | **–** | – |
| Financial assets at fair value through profit or loss ("FVPL") | *15* | **8,337** | 21,572 |
| Tax prepayments | | **14,396** | 235,813 |
| Pledged bank deposits | *14* | **119,840** | 221,148 |
| Cash and bank balances | | **151,834** | 315,349 |
| **Total current assets** | | **2,143,282** | 6,550,363 |
| Asset classified as held-for-sale | | **–** | 3,547 |
| **Total assets** | | **6,526,021** | 13,537,545 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **297,587** | 297,587 |
| Reserves | | **2,337,741** | 2,315,814 |
| Accumulated losses | | **(1,650,018)** | (4,632,089) |
| | | **985,310** | (2,018,688) |
| **Non-controlling interests** | | **203,956** | 226,352 |
| **Total equity/(deficit)** | | **1,189,266** | (1,792,336) |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Notes | As at 31 December<br>**2022**<br>***HK$'000*** | <br>2021<br>*HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **285,615** | 648,789 |
| Lease liabilities | | **42,556** | 67,053 |
| Deferred income tax liabilities | | **222,819** | 592,818 |
| **Total non-current liabilities** | | **550,990** | 1,308,660 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **1,121,004** | 4,671,068 |
| Contract liabilities | | **22,299** | 2,138,909 |
| Financial guarantee contracts provision | *17* | **144,437** | – |
| Amounts due to former subsidiaries | | **1,383,454** | – |
| Amounts due to minority owners of subsidiaries | | **113,177** | 122,770 |
| Borrowings | | **1,851,960** | 6,327,694 |
| Lease liabilities | | **40,728** | 31,492 |
| Tax payables | | **108,706** | 729,288 |
| **Total current liabilities** | | **4,785,765** | 14,021,221 |
| **Total liabilities** | | **5,336,755** | 15,329,881 |
| **Total equity and liabilities** | | **6,526,021** | 13,537,545 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 Unit 6508, 65/F, Central Plaza, 18 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 of the Company (the "**Board**") on 28 March 2023.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") 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 fair value through other comprehensive income/profit or loss, which are carried at fair value.

### 2.1 Going concern basis

The Group reported a net profit of HK$2,878 million for the year ended 31 December 2022, which included a one-off net gain of HK$4,219 million arising from the disposal of subsidiaries. The Group's net loss is HK$1,341 million excluding the net gain on disposal of subsidiaries. As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to HK$985 million and its current liabilities exceeded its current assets by HK$2,642 million. At the same date, the Group's total borrowings amounted to HK$2,138 million (including the current portion of HK$1,852 million). Except for borrowings of HK$266 million and related interest payable of HK$55 million which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$3,479 million together with fixed deposits amounting to HK$120 million. As at 31 December 2022, the Group had total cash and bank balances of HK$152 million.

As at 31 December 2022, 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$820 million (the "**Defaulted Borrowings**") and related interest payables of HK$447 million. In addition to the Defaulted Borrowings and related interest payables, borrowings of HK$218 million (the "**Defaulted Restructured Borrowing**") and interest payables of HK$54 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$1,539 million would be immediately repayable if requested by the Lenders of Defaulted Borrowings and the Associated Company. Defaulted borrowings in the sum of HK$1,038 million were classified as current liabilities as at 31 December 2022.

The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$626 million and related interest payables of HK$1 million as at 31 December 2022. All of these Cross-Defaulted Borrowings with original contractual repayment dates beyond 31 December 2023 were classified under current liabilities as at 31 December 2022 as they are due upon demand if requested by the respective lenders.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Going concern basis (Continued)

Up to the approval date of these consolidated financial statements, the Group repaid a portion of the principal of Cross-Defaulted Borrowings amounted to HK$146 million and HK$57 million, respectively. In addition, the Group repaid principal and interest payable of HK$100 million and HK$0.2 million, respectively in accordance with the repayment schedules of other borrowings of the Group between 1 January 2023 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 Cross-Defaulted Borrowings and related interest payables totalled HK$1,963 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 2023 might be significantly affected under such circumstance.

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$674 million), and interest and surcharge payables of RMB345 million (equivalent to approximately HK$390 million) as at 31 December 2022 with a financial institution (the "**Financial Institution**"). According to the Order:

(a) Bank deposit of HK$4,533,000 of Qingdao Zendai as at 31 December 2022 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$974 million and property, plant and equipment of HK$110 million as at 31 December 2022.

(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.

Up to the approval date of these consolidated financial statements, no 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, the Group continues to provide financial guarantees to certain borrowings and interest payables of these former subsidiaries of RMB1,296 million (equivalent to HK$1,466 million) which were defaulted as at 27 and 31 December 2022. 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.

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:

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Going concern basis (Continued)

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings), 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 service fee income based on the sales proceeds from the Haimen Project;

(d) the Group is also seeking 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 of the Company (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 2022. 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 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings, 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings;

(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

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Going concern basis (Continued)

(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 values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group has applied the following amended standards for the first time for its annual reporting period commencing 1 January 2022:

- Amendments to HKFRS 3 – Reference to the Conceptual Framework
- Amendments to HKFRS 16 – Covid-19-related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 16 – Property, plant and equipment – Proceed before Intended Use
- Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKFRSs – Annual Improvements to HKFRSs 2018-2020 Cycle

The 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.

### (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 2022 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.

## 4. 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 organised 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 bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and unallocated head office and corporate liabilities, all of which are managed on a centralised 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.

## 4. 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 | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Reportable segment revenue | **48,377** | 307,025 | **79,246** | 93,640 | **286,416** | 352,051 | **414,039** | 752,716 |
| Reportable segment revenue from internal sales | **–** | – | **–** | – | **(17,418)** | (11,723) | **(17,418)** | (11,723) |
| Reportable segment revenue from external sales *(i)* | **48,377** | 307,025 | **79,246** | 93,640 | **268,998** | 340,328 | **396,621** | 740,993 |
| Reportable segment (loss)/profit before income tax | **(450,764)** | (1,012,507) | **41,675** | (209,451) | **(5,757)** | 104,605 | **(414,846)** | (1,117,353) |
| **Other information (items included in determining the reportable segment (loss)/profit):** | | | | | | | | |
| Bank interest income | **6,130** | 616 | **793** | 66 | **7,305** | 3,507 | **14,228** | 4,189 |
| Depreciation charge | **7,607** | 8,566 | **40,057** | 57,685 | **6,811** | 2,748 | **54,475** | 68,999 |
| Change in fair value of investment properties | **–** | – | **–** | – | **(303,319)** | (253,778) | **(303,319)** | (253,778) |
| Gains on early termination of lease agreement | **–** | – | **–** | – | **829** | – | **829** | – |
| Rental income | **3,151** | 3,811 | **–** | – | **–** | – | **3,151** | 3,811 |
| Gain/(loss) on disposal of property, plant and equipment,net | **335** | (28) | **(9)** | 16 | **–** | 235 | **326** | 223 |
| Gain on disposal of investment properties | **–** | – | **–** | – | **–** | 87,913 | **–** | 87,913 |
| Impairment of property, plant and equipment | **–** | – | **–** | 259,157 | **–** | – | **–** | 259,157 |
| Reportable segment assets | **886,888** | 7,663,884 | **685,945** | 848,249 | **3,283,157** | 4,768,974 | **4,855,990** | 13,281,107 |
| Amounts included in the measure of segment assets: | | | | | | | | |
| Additions to non-current assets *(ii)* | **7,427** | 6,194 | **5,523** | 3,401 | **22,815** | 9,682 | **35,765** | 19,277 |
| Reportable segment liabilities | **2,250,703** | 10,656,798 | **57,446** | 101,078 | **1,080,961** | 900,535 | **3,389,110** | 11,658,411 |

(i) For the year ended 31 December 2022, revenue from sales of properties of HK$48,377,000 (2021: HK$307,025,000) was recognised at a point in time. The revenue from hotel operations, management and agency services of HK$199,800,000 (2021: HK$253,260,000) were recognised over time. Rental income of HK$148,444,000 (2021: HK$180,708,000) was recognised on a straight-line basis over the term of respective leases.

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

## 4. 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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Reportable segment loss before income tax | **(414,846)** | (1,117,353) |
| Unallocated bank interest income | **268** | 1 |
| Finance costs | **(975,712)** | (1,001,523) |
| Net gain on disposal of subsidiaries *(note 8)* | **4,218,588** | – |
| Unallocated head office and corporate expenses | **(34,738)** | (44,129) |
| **Profit/(loss) before income tax** | **2,793,560** | (2,163,004) |

| | As at 31 December | |
|---|---|---|
| **Assets** | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Reportable segment assets | **4,855,990** | 13,281,107 |
| Pledged bank deposits | **120,422** | 233,379 |
| Amounts due to former subsidiaries | **1,281,285** | – |
| Unallocated head office and corporate assets | **268,324** | 19,512 |
| Asset classified as held-for-sale | **–** | 3,547 |
| **Total assets** | **6,526,021** | 13,537,545 |

| | As at 31 December | |
|---|---|---|
| **Liabilities** | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Reportable segment liabilities | **3,389,110** | 11,658,411 |
| Amounts due to former subsidiaries | **1,383,454** | – |
| Financial guarantee contracts provision | **144,437** | – |
| Unallocated borrowings | **266,447** | 2,636,994 |
| Unallocated head office and corporate liabilities | **153,307** | 1,034,476 |
| **Total liabilities** | **5,336,755** | 15,329,881 |

### (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 2022 and 2021.

## 4. SEGMENT REPORTING (CONTINUED)

Segment information is presented below: (Continued)

### (d) Contract liabilities

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Receipts in advance from purchasers of properties under development and completed properties | **22,299** | 2,138,909 |

Out of the contract liabilities as at 31 December 2021 and 2020, amounts of HK$14,324,000 and HK$235,677,000 have been recognised as revenue of the Group during the years ended 31 December 2022 and 2021 respectively.

## 5. 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 summarised as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Sales of properties | **48,377** | 307,025 |
| Hotel operations | **79,246** | 93,640 |
| Properties rental, management and agency income | **268,998** | 340,328 |
| | **396,621** | 740,993 |

## 6. OTHER INCOME, GAINS AND EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **14,496** | 4,190 |
| Gains on early termination of lease agreement | **829** | – |
| Rental income *(a)* | **3,151** | 3,811 |
| Government grants | **715** | 1,185 |
| Gain on disposal of property, plant and equipment, net | **326** | 223 |
| Gain on disposal of investment properties | **–** | 87,913 |
| Sales of scrap | **–** | 5,861 |
| Others *(b)* | **1,662** | 5,144 |
| Provision for taxes surcharge | **(59,731)** | – |
| Provision and claims for compensation to customers and litigations | **(15,322)** | (35,072) |
| | **(53,874)** | 73,255 |

(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) Others mainly include exchange gains and write-back of long aged other payables.

## 7. EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Cost of properties sold | **11,361** | 261,788 |
| Cost of rendering property management service and others (a) | **141,658** | 186,390 |
| Tax and levies | **32,462** | 50,300 |
| Impairment of properties under development and completed properties held-for-sale | **47,162** | 431,778 |
| Employee benefit expense | **105,310** | 171,708 |
| Auditors' remuneration: | | |
| – Audit services | **1,707** | 2,680 |
| – Non-audit services | **1,762** | 610 |
| Consulting and service expenses | **19,758** | 21,622 |
| Depreciation charge | **54,475** | 68,999 |
| Advertising costs | **2,282** | 24,501 |
| Short-term leasing expenses | **3,655** | 3,166 |
| Maintenance and consumption expenses for hotel operations | **28,490** | 26,578 |
| Other expenses | **16,487** | 54,226 |
| Total | **466,569** | 1,304,346 |

(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.

## 8. NET GAIN ON 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, 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 transaction was completed on 27 December 2022.

| | *Notes* | **2022**<br>***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 | | **(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 *(note 15)* | | **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 | *(i)* | **(893,728)** |
| Provision for financial guarantees | *(ii)* | **(144,437)** |
| Net gain on disposal of subsidiaries | | **4,218,588** |

*(i)* Upon disposal of subsidiaries, the Group recognised amounts due from former subsidiaries of HK$2,175,013,000 and due to former subsidiaries of HK$1,383,454,000. The Group recognised expected credit loss provision of HK$893,728,000 in respect of amounts due from former subsidiaries in light of significant increase in credit risk of these receivables.

*(ii)* The Group had undertaken to indemnify certain lenders of the disposed subsidiaries for borrowings and related interest payables to the extent of HK$1,105,808,000 and HK$359,811,000 respectively. The Group recognised a provision for these financial guarantee contracts of HK$144,437,000 (Note 17).

## 9. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Interest expenses: | | |
| – Bank borrowings | **120,879** | 132,139 |
| – Other borrowings | **848,104** | 861,241 |
| Interest and finance charges paid/payable for lease liabilities | **6,729** | 8,143 |
| Finance costs | **975,712** | 1,001,523 |

## 10. INCOME TAX CREDIT

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

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax expense: | | |
| – PRC land appreciation tax ("**LAT**") | **11,064** | 2,496 |
| Under/(over)-provision in prior years: | | |
| – PRC enterprise income tax ("**EIT**") | **18,619** | (58) |
| – PRC LAT | **(30,006)** | (13,339) |
| | **(11,387)** | (13,397) |
| Deferred income tax credit | **(84,455)** | (70,175) |
| **Income tax credit** | **(84,778)** | (81,076) |

**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 2022 and 2021.

**EIT**

No provision for EIT has been made as the Group has no assessable profits in the PRC for the years ended 31 December 2022 and 2021.

**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.

## 11. DIVIDENDS

No dividend was proposed for the years ended 31 December 2022 and 2021.

## 12. EARNINGS/(LOSS) PER SHARE

**Basic earnings/(loss) per share**

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

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| **Earnings/(loss)** | | |
| Earnings/(loss) attributable to owners of the Company *(HK$'000)* | **2,883,611** | (2,070,423) |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue *(thousands)* | **14,879,352** | 14,879,352 |
| | ***HK$ cents*** | *HK$ cents* |
| **Basic earnings/(loss) per share** | **19.38** | (13.91) |

**Diluted earnings/(loss) per share**

Since there was no dilutive ordinary shares during the years ended 31 December 2022 and 2021, diluted earnings/(loss) per share is equal to basic earnings/(loss) per share.

## 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **67,407** | 68,675 |
| Provision for loss allowance | **(5,468)** | (6,965) |
| Trade receivables – net *(a)* | **61,939** | 61,710 |
| Other receivables | **351,237** | 330,978 |
| Deposits | **310** | 13,751 |
| | **351,547** | 344,729 |
| Provision for loss allowance *(b)* | **(66,476)** | (217,979) |
| Other receivables – net | **285,071** | 126,750 |
| Prepayments for turnover tax | **7,689** | 95,414 |
| | **354,699** | 283,874 |

## 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

The balance of other receivables included the consideration receivable of approximately HK$190 million from disposed of subsidiaries (note 8).

As at 31 December 2022 and 2021, the majority of the Group's trade and other receivables and prepayments are denominated in RMB.

As at 31 December 2022, 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, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

(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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **53,026** | 55,781 |
| More than 3 months but less than 12 months | **5,926** | 2,954 |
| More than 12 months | **8,455** | 9,940 |
| | **67,407** | 68,675 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **(6,965)** | (1,421) |
| Net provision for the year | **(2,188)** | (5,502) |
| Disposal of subsidiaries | **2,789** | – |
| Exchange differences | **896** | (42) |
| At 31 December | **(5,468)** | (6,965) |

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **(217,979)** | (169,595) |
| Provision for the year | **(19,987)** | (43,407) |
| Disposal of subsidiaries | **159,288** | – |
| Exchange differences | **12,202** | (4,977) |
| At 31 December | **(66,476)** | (217,979) |

## 14. PLEDGED BANK DEPOSITS

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Current portion | **119,840** | 221,148 |
| Non-current portion | **582** | 12,231 |
| | **120,422** | 233,379 |

Pledged bank deposits of HK$120,422,000 (2021: HK$233,379,000) are pledged to banks to secure certain borrowings of the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (2021: 0.30% to 2.00%) per annum.

## 15. 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 2021** | 20,388 | 23,613 |
| Change in fair value | 3,294 | – |
| Additions | – | 557 |
| Disposals | – | (3,250) |
| Exchange differences | 649 | 652 |
| **At 31 December 2021** | 24,331 | 21,572 |
| **At 1 January 2022** | **24,331** | **21,572** |
| Change in fair value | **(6,261)** | **–** |
| Recognition upon disposal of subsidiaries *(note 8)* | **53,516** | **–** |
| Disposal of subsidiaries *(note 8)* | **–** | **(11,606)** |
| Exchange differences | **(1,646)** | **(1,629)** |
| **At 31 December 2022** | **69,940** | **8,337** |

Details of financial assets at fair value are as below:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted equity investments in the PRC | **69,940** | 24,331 |
| Wealth management products as purchased from financial institutions | **8,337** | 21,572 |
| | **78,277** | 45,903 |
| *Less:* non-current portion | **(69,940)** | (24,331) |
| Current portion | **8,337** | 21,572 |

Upon disposal of subsidiaries (note 8) during the year ended 31 December 2022, the Group retained 9.09% and 18.2% equity interests in two former subsidiaries respectively which are designated as financial assets at FVOCI because of the Group's intention to hold these investments for long-term strategic purpose. These interests are measured at level 3 fair value hierarchy using the summation method.

## 16. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables *(a)* | **219,071** | 2,204,313 |
| Other payables and accruals | **901,933** | 2,466,755 |
| | **1,121,004** | 4,671,068 |

As at 31 December 2022 and 2021, the majority of the Group's trade and other payables are denominated in RMB.

As at 31 December 2022, the carrying amounts of trade and other payables approximated their fair values.

(a) The aging analysis of trade payables based on date of when the construction costs payable have been verified with the contractors is as follows:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **55,968** | 1,355,542 |
| More than 3 months but less than 12 months | **20,486** | 193,338 |
| More than 12 months | **91,370** | 599,999 |
| | **167,824** | 2,148,879 |
| Retention money | **51,247** | 55,434 |
| | **219,071** | 2,204,313 |

The trade payables mainly represent accrued construction costs payable to contractors, which have not been verified with the contractors and have been included within 3 months in the above aging analysis. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

## 17. FINANCIAL GUARANTEE CONTRACTS PROVISION

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Financial guarantee issued in respect of borrowings and interest payables of former subsidiaries | **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$1,105,808,000 and HK$359,811,000 respectively. As at 31 December 2022, the provision for these financial guarantee contracts amounted to HK$144,437,000.

# CHAIRMAN'S STATEMENT

## Financial Results

The board of Directors (the "**Board**") 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 2022 (the "**reporting period**", the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$396,621,000, representing a decrease of HK$344,372,000 as compared with a turnover of approximately HK$740,993,000 for the year ended 31 December 2021. As most of the Group's property development projects are at their closing stages, and the remaining parcels of land are still in the planning stage, revenue from sales of properties dropped significantly. Revenue of the Group during the reporting period was mainly attributable to properties rental and management service as well as hotel operation.

Profit attributable to shareholders of the Company (the "**Shareholders**") during the year under review was approximately HK$2,883,611,000 as compared with the loss attributable to Shareholders of approximately HK$2,070,423,000 for the year ended 31 December 2021. Basic earnings per share of the Company (the "**Share**") during the year was HK$19.38 cents (basic loss per Share for 2021: HK$13.91 cents). 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, to Power Rider Enterprises Corp., ("**Power Rider**"), an associated company of a substantial Shareholder (the "**Myway Disposal**"), and recorded a net gain on disposal of subsidiaries of HK$4,218,588,000, resulting in a turnaround from a loss in 2021 to a profit in 2022.

## 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 and 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, as the Group's property development projects were all at their closing stages with less gross floor area available for delivery to buyers, hotel operations, property rental and management services become the major sources of revenue, resulting in a significant decrease in the Group's overall revenue.

In 2022, China experienced tremendous challenges in macro economy development due to the stringent epidemic prevention and control measures adopted for the recurrence of the COVID-19 epidemic in various regions, coupled with the weakening medium to long-term housing demand and stringent financial regulations. It was the first time that China recorded a negative year-on-year growth in the cumulative property development investment across the country, indicating an unprecedented crisis for the real estate industry, which also led to furious turbulence and adjustment to the market players of this industry. Moreover, commercial and hotel operations have experienced extreme difficulties due to the pandemic for which various restrictions were made for travelling and thus resulting in a significant drop in customer traffic. Since relaxed epidemic prevention and control policies were adopted by China at the end of 2022, both the business policies and macro conditions began to improve with gradual recovery of market confidence.

The property development, operations of commercial properties and hotels and property management businesses operated by the Group continued to be affected by the local epidemic prevention and control measures in various regions in 2022. Despite the fact that the business environment was full of challenges, the Group has persevered with the middle and long-term development strategy through dedicated operation, striving for survival amid the hard times. In early June 2022, the Group entered into the conditional sale and purchase agreement with Power Rider, in relation to the Myway Disposal, and the transaction was completed at the end of December 2022. Benefiting from this transaction, the Group's capital structure improved greatly with obvious enhancement in its liquidity. As at the date of this announcement, the Group has also completed settlement or restructuring of several debts, which improved its overall debt condition.

On the basis of continuous optimisation of the capital structure, the Group strived to improve its cash flow position and focused on strengthening capital management and cost management to ensure the stable operation of its various businesses. At the same time, it also reinforced resources for the operating business to ensure stable revenue contributed by the Company's underlying operations. Persistent efforts were also made to integrate quality resources, revitalise core assets, cultivate new dynamics in management and continuously explore new opportunity for efficiency 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. In the context of the impact of the COVID-19 epidemic and policies, the Group actively adjusted its business 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 RMB264,560,000 (equivalent to approximately HK$308,584,000). During the year, approximately 74% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 43%. Details of the operation of each commercial property and hotel project during the year ended 31 December 2022 are as follows:

| Commercial project name | City | Interest attributable to the Group | Leasable area | Occupancy rate during the year | Revenue during the year | |
|---|---|---|---|---|---|---|
| | | | *(Square metres)* | | *(RMB'000)* | *(HK$'000)* |
| Shanghai "Zendai Thumb Plaza" | Shanghai | 100% | 44,525 | 94% | 83,997 | 97,974 |
| Shanghai Himalayas Center* | Shanghai | 45% | 28,499 | 42% | 16,280 | 18,989 |
| Qingdao "Zendai Thumb Plaza" | Qingdao | 100% | 46,627 | 86% | 26,536 | 30,951 |
| Zendai Nantong Yicheng Thumb Plaza | Nantong | 100% | 37,399 | 80% | 7,301 | 8,516 |
| Yangzhou Commercial Project | Yangzhou | 80% | 14,644 | 99% | 6,986 | 8,149 |
| Nanjing "Himalayas Center"# | Nanjing | 100% | 44,495 | 60% | 2,446 | 2,854 |
| Total | | | 216,189 | 74% | 143,546 | 167,433 |

| Hotel project name | City | Business model | Floor area | Number of guest room | Occupancy rate during the year | Revenue during the year | |
|---|---|---|---|---|---|---|---|
| | | | *(Square metres)* | | | *(RMB'000)* | *(HK$'000)* |
| Grand Mercure Shanghai Century Park | Shanghai | Cooperation | 28,952 | 326 | 48.00% | 38,887 | 45,358 |
| Jumeirah Himalayas Hotel Shanghai* | Shanghai | Cooperation | 60,452 | 414 | 35.00% | 53,074 | 61,905 |
| Himalayas Qingdao Hotel | Qingdao | Proprietary | 27,914 | 208 | 54.37% | 29,053 | 33,888 |
| Total | | | 117,318 | 948 | 42.82% | 121,014 | 141,151 |

* 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).

# The project was disposed of on 27 December 2022, and is still managed by the Group according to the relevant disposal agreement.

## 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 2,770,600 square metres in total, with operating revenue of RMB90,025,000 (equivalent to approximately HK$105,006,000).

| | Floor area | Revenue during the year | |
|---|---|---|---|
| | *(Square metres)* | *(RMB'000)* | *(HK$'000)* |
| Shanghai Headquarters and others | 753,819 | 41,377 | 48,262 |
| Kunshan Branch | 107,625 | 3,262 | 3,805 |
| Nanjing Branch | 888,103 | 28,309 | 33,020 |
| Nanning Branch | 397,374 | 1,241 | 1,448 |
| Qingdao Branch | 389,298 | 7,069 | 8,245 |
| Qingpu Branch | 86,774 | 4,408 | 5,141 |
| Yantai Branch | 35,000 | 202 | 236 |
| Huamu Branch | 112,607 | 4,157 | 4,849 |
| **Total** | 2,770,600 | 90,025 | 105,006 |

## Property Development Projects

Affected by the macroeconomic environment and the Group's own capital structure, the property development business has entered into a period of adjustment and optimisation. During the year, the major development projects of the Group, namely Nanjing "Himalayas Center", Nanjing "Riverside Thumb Plaza" and Haimen "Zendai Garden-Riverside Town", have been sold and delivered to Power Rider upon completion of the Myway Disposal. The Group's remaining development projects will adjust the development plan according to the recovery of the real estate market in due course.

### *Nanjing "Himalayas Center"#*

Nanjing Himalayas Center was designed by Ma Yansong, who is a world-renowned architect. It is another humanistic and artistic peak created by the Group following the Shanghai Himalayas Center. The project comprises five business mode, including experience-based shopping malls, intercontinental hotels, commercial buildings, hotel apartments and commercial complexes with a site area of approximately 93,526 square metres and a total gross floor area of approximately 619,462 square metres. Most of the project has been sold out and the commercial complex is still in operation.

### *"Riverside Thumb Plaza" in Nanjing#*

"Riverside Thumb Plaza" in Nanjing is the flagship complex of Gulou Riverside CBD built by the Group based on in-depth exploration of the characteristics of Nanjing and Riverside CBD. The project comprises apartments, office buildings and commercial space. The project is being developed in four phases. The development of the first three phases has been completed and the fourth phase is still under development.

### *"Zendai Garden-Riverside Town" in Haimen#*

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land, with a total site area of 1,389,021 square metres.

The first parcel of land is divided into two parts, namely "Dong Zhou Mansion" and "Multiflora Garden". The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

### *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). Construction of the project is divided into three phases.

### *Project in Chengmai County, Hainan Province*

The Group owns 60% equity interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres which is still in the planning stage.

# The project was disposed of on 27 December 2022, and is still managed by the Group according to the relevant disposal agreement.

## PROSPECTS AND FUTURE PLANS

In 2023, with significantly reduced impact of the COVID-19 epidemic and the positive macro policies, the overall economy is expected to improve in China with stable recovery of market confidence and expectations in the real estate market. It will be an essential development year for both the industry and enterprises, as the industry is transitioning to a new development model for which companies have to seize the opportunity of the current recovery to achieve their short and medium-term development goals.

The Group has now been well prepared for commencement of the strategic transformation and development. Looking forward, the Group will insist on reducing risks, stabilising operations, promoting innovation and pursuing development, further opening up its development ideas and planning a new blueprint for development. Based on the effective capital structure improvement recorded in last year, the Group will continue to focus on addressing remaining risks and optimising asset allocation on a constant basis. Under the new industry conditions, the Group will continue to focus on developing a new light asset development model with team-based development, operation and management services as the core business, and systematically promote the "Dual Protections" system, namely the empowerment transformation of management team and the upgrade of management mechanism. In addition, the Group determines the target of "Profit Model Benchmarking Against Innovation" and "Brand Image Rebranding and Renewal", and presents the market with continuously improved strengths in products and services to build a new foundation for property development and management. To enhance capability of commercial management, improve the profit margin of commercial properties and forge a recognised commercial management brand also constitute major works of the Group, in addition to seizing new development opportunity in property management sector and branding property management service. Meanwhile, the Group will keep a close eye on new development opportunity, and devote itself to high quality construction upon the call of the country.

In terms of regional presence, the Group will continue focusing on key regions and cities, consolidate the Yangtze River Delta region as its core territory of development and target the quality and opportunity markets across the country in its overall business presence. The Group will optimise its asset portfolio, establish exemplary projects in cities and promote more quality projects on the ground while ensuring continuous optimisation of its capital structure.

The Group will always adhere to "building" and "operation" as two major brand strategy pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. The Group will continue to improve its management level to build a high-quality team that can truly empower development and firmly implement the Group's medium and long-term development strategic goals. In the future, the Group will continue to enhance its commercialisation capabilities under new consumption and new scenarios, and fully discover the brand value of its existing projects to develop itself into a comprehensive urban developer with competitive advantages and strong capabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operation

The profit for the year was mainly attributable to the net gain on disposal of subsidiaries recognised from the Myway Disposal. Excluding the one-off gain mentioned above, the Company still incurred losses, mainly due to remained lower turnover which was insufficient to cover fees and expenses.

During the year, gross floor area deliverable to purchasers decreased since projects of the Group were all at their closing stages, and revenue from hotel, property rental and management service became the main source of revenue, resulting in significant decrease in the total revenue of the Group.

## Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2022, the Group had a financial position with net assets value of approximately HK$1,189 million (31 December 2021: net liabilities value of approximately HK$1,792 million). Net current liabilities amounted to approximately HK$2,642 million (31 December 2021: approximately HK$7,371 million) with current ratio decreasing from 0.47 times as at 31 December 2021 to approximately 0.45 times as at 31 December 2022. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), 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 2022, the Group had consolidated borrowings of approximately HK$2,138 million, of which HK$1,852 million was repayable within one year and HK$286 million was repayable more than one year. As at 31 December 2022, borrowings in the amount of HK$1,971 million (31 December 2021: HK$6,567 million) bear interest at fixed interest rates ranging from 4.50% to 14.99% per annum (31 December 2021: ranging from 3.85% to 14.99% per annum). As at 31 December 2022, the Group's cash and bank balances and pledged bank deposits were approximately HK$272 million (31 December 2021: HK$549 million). The gearing ratio of the Group increased from –3.3 times at 31 December 2021 to 2.09 times at 31 December 2022 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company).

## MITIGATION MEASURES AND UNCERTAINTIES RELATED TO GOING CONCERN

Pursuant to code provision C.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 announcement, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

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, Defaulted Restructured Borrowing, and Cross-Defaulted Borrowings 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings), 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 service fee income based on the sales proceeds from the Haimen Project;

(d) the Group is also seeking 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.

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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings, 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings;

(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 values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

* capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the consolidated financial statements in this announcement.

## Segment Information

### Sales of properties

The turnover of this segment for the year was approximately HK$48,377,000 (2021: HK$307,025,000). The decrease was primarily due to the decrease in the areas of the property to be delivered to purchasers.

### Property rental, management and agency services

The turnover of this segment for the year was approximately HK$268,998,000 (2021: HK$340,328,000). The decrease was due to the rebound of COVID-19 epidemic in Shanghai in the second quarter, decrease in malls activities and rental.

### Hotel operations

The turnover of this segment for the year was HK$79,246,000 (2021: HK$93,640,000). The decrease was due to the decrease in occupancy rate as a result of sporadic outbreaks of the COVID-19 epidemic across the PRC affecting the travelling of citizens.

## 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 2022 were mainly denominated in RMB and HK$. Borrowings of the Group as at 31 December 2022 were all 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 pledged bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

## EMPLOYEES

As at 31 December 2022, the Group employed approximately 592 employees (2021: 910 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.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this announcement, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

On 7 June 2022, the Group entered into a conditional sale and purchase agreement with Power Rider, to dispose of its 100% equity interest in Myway Developments Limited, a wholly-owned subsidiary of the Company and its subsidiaries, for a total consideration of RMB225,000,000 (equivalent to approximately HK$254,408,000). The ordinary resolution in relation to the Myway Disposal was passed by the independent Shareholders at the special general meeting of the Company held on 21 July 2022 and the Myway Disposal was completed on 27 December 2022. Details of the Myway Disposal are set out in the Company's announcements dated 7 June 2022, 21 July 2022 and 27 December 2022 and the circular dated 30 June 2022.

## PLEDGE OF ASSETS

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment | **583,552** | 665,710 |
| Investment properties | **2,568,950** | 4,883,299 |
| Properties under development and completed properties held-for-sale | **326,192** | 1,711,585 |
| Pledged bank deposits | **120,422** | 233,379 |
| | **3,599,116** | 7,493,973 |

As at 31 December 2022, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

## PROVISION AND CONTINGENT LIABILITIES

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Financial guarantee issued in respect of borrowings and interest payables of former subsidiaries | **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$1,105,808,000 and HK$359,811,000. As at 31 December 2022, the provision for these financial guarantee contracts amounted to HK$144,437,000.

In addition, as at 31 December 2022, the Group provided guarantees to the extent of approximately HK$4,586,000 (2021: HK$982,559,000) 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$144,437,000 provision for financial guarantee contracts for borrowings and interest payables of a former subsidiary is recognised, the credit risk exposure of these guarantee contracts is insignificant at initial recognition and at the end of the reporting period.

## LITIGATION

(1) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$198,000,000). The remaining balance of RMB48,000,000 (equivalent to approximately HK$58,000,000) was not repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees. As at 31 December 2022, the outstanding overdue amounts, liquidated damages and arbitration fees were approximately RMB82,289,000 (equivalent to HK$93,045,000). The Company is still negotiating and communicating proactively with the third-party company on the repayment plan.

(2) 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 Nanjing Lifang (one of the former subsidiaries disposed of in the Myway Disposal), 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 Financial Institution (the principal and liquidated damages is approximately RMB707,000,000 (equivalent to approximately HK$826,717,000) in total). As at the date of this announcement, principal amount of RMB596,000,000 (equivalent to approximately HK$673,897,000) 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.

## CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the year.

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee noted that the Board has undertaken or in the progress of implementing measures to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position and has discussed with the independent auditor.

## SCOPE OF WORK OF PKF HONG KONG LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2022 as set out above in this preliminary announcement have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on this preliminary announcement.

## EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below paragraphs set out an extract of the report by PKF Hong Kong Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

### Disclaimer of opinion

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 net profit of HK$2,878 million for the year ended 31 December 2022, which included a one-off net gain of HK$4,219 million arising from the disposal of subsidiaries. The Group’s net loss is HK$1,341 million excluding the net gain on disposal of subsidiaries. As at 31 December 2022, the Group’s total equity attributable to owners of the Company amounted to HK$985 million and its current liabilities exceeded its current assets by HK$2,642 million. At the same date, the Group’s total borrowings amounted to HK$2,138 million (including the current portion of HK$1,852 million) and its cash and bank balances amounted to HK$152 million.

As at 31 December 2022, 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$820 million (the “**Defaulted Borrowings**”) and related interest payables of HK$447 million. In addition to the Defaulted Borrowings and related interest payables, borrowings of HK$218 million (the “**Defaulted Restructured Borrowing**”) and interest payables of HK$54 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$1,539 million would be immediately repayable if requested by the Lenders of Defaulted Borrowings and the Associated Company. Defaulted borrowings in sum of HK$1,038 million were classified as current liabilities as at 31 December 2022.

The Default Events triggered cross-defaults of other borrowings of the Group (the “**Cross-Defaulted Borrowings**”) with aggregated principal amounts of HK$626 million and related interest payables of HK$1 million as at 31 December 2022. All of these Cross-Defaulted Borrowings with original contractual repayment dates beyond 31 December 2023 were classified under current liabilities as at 31 December 2022 as they are due upon demand if requested by the respective lenders. 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings, 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, Defaulted Restructured Borrowing and Cross-Defaulted Borrowings; (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.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

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

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

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaiproperty.com). The 2022 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

By order of the Board
**Shanghai Zendai Property Limited**
**Mr. Huang Yuhui**
*Chairman*

Hong Kong, 28 March 2023

*As at the date of this announcement, the executive Directors are Mr. Huang Yuhui, Mr. Wang Letian, Mr. He Haiyang and Ms. Li Zhen. The non-executive Directors are Ms. Wang Zheng, Mr. Cui Di and Mr. Huang Jiawei. The independent non-executive Directors are Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou.*

* *For identification purpose only*