DREAM EAST
梦东方

DREAMEAST GROUP LIMITED
夢東方集團有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as "DreamEast Cultural Entertainment")

(Stock Code: 593)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS

The board of directors (the "**Board**") of DreamEast Group Limited (the "**Company**") is pleased to announce the annual consolidated results ("**Results**") of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the corresponding comparative figures for the year ended 31 December 2021 as follows.

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of the Company and its subsidiaries for the Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	3		
Sales of properties		**–**	31,060
Rental income		**22,337**	12,966
Tourism park operations and other services		**2,739**	7,182
		25,076	51,208
Cost of sales and services		**(6,613)**	(40,728)
Gross profit		**18,463**	10,480
Other gains and losses, net	5	**21,098**	(137,820)
Other income		**134**	10,776
Selling expenses		**(1,367)**	(6,743)
Administrative expenses		**(27,483)**	(38,234)
Fair value changes of investment properties	9	**(715,579)**	(34,343)
Impairment loss on trade receivables		**(9,431)**	–
Impairment loss of property, plant and equipment		**(305)**	(3,558)
Impairment loss of properties under development for sales		**(2,197)**	(43,227)
Reversal of (Provision for) impairment loss of right-of-use assets		**4,997**	(1,016)
Share of results of joint ventures		**181,983**	(25,853)
Finance costs		**(559,927)**	(572,583)
Loss before tax		**(1,089,614)**	(842,121)
Income tax credit (expense)	6	**178,895**	(22,807)
Loss for the year		**(910,719)**	(864,928)

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Other comprehensive (loss) income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translation		**66,930**	5,749
Share of other comprehensive income of joint ventures – exchange differences on translation		**(105,900)**	35,144
		(38,970)	40,893
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	(15,053)
Other comprehensive (loss) income for the year		**(38,970)**	25,840
Total comprehensive loss for the year		**(949,689)**	(839,088)
Loss for the year attributable to:			
Owners of the Company		**(903,659)**	(860,648)
Non-controlling interests		**(7,060)**	(4,280)
		(910,719)	(864,928)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(910,796)**	(837,877)
Non-controlling interests		**(38,893)**	(1,211)
		(949,689)	(839,088)
Loss per share	*8*		
– Basic		**(HK$3.17)**	(HK$3.01)
– Diluted		**(HK$3.17)**	(HK$3.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**190,870**	210,009
Right-of-use assets		**33,785**	34,037
Investment properties	*9*	**1,355,581**	2,649,951
Investment in joint ventures		**1,181,358**	1,218,177
Other non-current assets		**110,830**	121,088
		2,872,424	4,233,262
Current assets			
Properties under development for sale		**3,510,274**	3,988,987
Completed properties held for sale		**255,599**	279,548
Restricted properties subject to court enforcement order	*10*	**528,566**	–
Inventories		**175**	205
Trade receivables	*11*	**15,700**	5,515
Other receivables, deposits and prepayments		**22,482**	23,148
Amounts due from related companies		**356,846**	349,747
Other current assets		**206,895**	261,175
Restricted bank balances		**10,443**	10,323
Bank balances and cash		**3,547**	8,164
		4,910,527	4,926,812
Current liabilities			
Trade and other payables	*12*	**1,089,220**	1,255,651
Contract liabilities		**322,178**	351,695
Amounts due to related companies		**1,031,397**	1,179,109
Amounts due to joint ventures		**226,306**	191,270
Lease liabilities		**1,020**	6,058
Tax payable		**67,863**	73,417
Bank and other borrowings		**4,734,651**	4,760,289
Convertible bonds and bonds		**694,151**	611,994
		8,166,786	8,429,483

	2022	2021
	HK$'000	*HK$'000*
Net current liabilities	**(3,256,259)**	(3,502,671)
Total assets less current liabilities	**(383,835)**	730,591
Non-current liabilities		
Deferred tax liabilities	**9,571**	198,244
Lease liabilities	**–**	630
Convertible bonds and bonds	**443,688**	419,385
	453,259	618,259
Net (liabilities) assets	**(837,094)**	112,332
Capital and reserves		
Share capital	**28,550**	28,550
Reserves	**(1,021,039)**	(110,506)
Equity attributable to owners of the Company	**(992,489)**	(81,956)
Non-controlling interests	**155,395**	194,288
Total (deficit) equity	**(837,094)**	112,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance.

The functional currency of the Company is Renminbi ("**RMB**"), and for the purpose of more convenience to the readers to these consolidated financial statements, the consolidated financial statements are presented in Hong Kong dollars ("**HK$**").

1.2 GOING CONCERN

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance on attaining profitable operations in future and the success of below plans and measures in view of the excess of current liabilities over current assets.

The Group reported a net loss attributable to the owners of the Company of approximately HK$903.7 million for the year ended 31 December 2022 (2021: approximately HK$860.6 million). As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$3,256.3 million (2021: approximately HK$3,502.7 million) and capital deficiency of approximately HK$837.1 million (2021: net equity of approximately HK$112.3 million). As at the same date, the Group's bank and other borrowings and convertible bonds and bonds payables amounted to approximately HK$5,872.5 million (2021: approximately HK$5,791.7 million), of which current borrowings and convertible bonds and bonds payable amounted to approximately HK$5,428.8 million (2021: approximately HK$5,372.3 million), while its cash and cash equivalents amounted to approximately HK$3.5 million (2021: approximately HK$8.2 million) only.

As at 31 December 2022, the Group is subjected to legal claims amounted to approximately HK$4,132.0 million (2021: approximately HK$4,585.8 million), mainly in relation to disputes under construction contracts in respect of its various property development projects and defaults of repayment of several bank and other borrowings, which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, property, plant and equipment, right-of-use assets, properties under development for sale, completed properties held for sale and restricted properties subject to court enforcement order in an aggregate amount of approximately HK$5,159.3 million (2021: approximately HK$6,408.2 million) and the withdrawal of bank deposits of approximately HK$10.4 million (2021: approximately HK$10.3 million) as at 31 December 2022. Details of which were disclosed in Legal Disputes section in this announcement. Provision for litigation and compensation of approximately HK$197.1 million and approximately HK$122.3 million (2021: approximately HK$297.6 million and approximately HK$99.7 million) respectively, other than the liabilities already recognised, has been made based on best estimation on the outcomes of the disputes by the management in consideration of the development of negotiations with the creditors and advice sought from the independent legal advisors and internal legal counsel.

As at 31 December 2022, loan from an asset management company with principal of approximately HK$2,809.9 million (2021: approximately HK$3,070.0 million) and interest payable of approximately HK$756.5 million (2021: approximately HK$535.6 million) (the "**Overdue Borrowings**") were overdue. As the Group failed to repay the loan in accordance with the repayment schedule for the year ended 31 December 2020, the loan has been considered as default and became immediately due in accordance with terms of loan agreement. Hence, the entire principal of approximately HK$2,809.9 million (2021: approximately HK$3,070.0 million) together with interest payable of approximately HK$756.5 million (2021: approximately HK$535.6 million) were classified as current liabilities at 31 December 2022 and 2021.

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, the default of the guarantor may result in default of the Group's borrowings. As a result of the guarantor's default in 2020, the principal amount of a borrowing of approximately HK$293.8 million (2021: approximately HK$321.8 million) was considered to be default ("**Cross-default Borrowings**") with the entire amount of this borrowing became immediately overdue in 2020 and has been classified as current liabilities as at 31 December 2022 and 2021.

The Group is in active negotiations with the lender in respect of the Overdue Borrowings for a debt restructuring so as to settle the Overdue Borrowings by using the proceeds from new borrowing plans. The Group is also negotiating with the Cross-default Borrowing lender to renew the relevant borrowing. The Group is confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lender(s) of the Overdue Borrowings and Cross-default Borrowing will not enforce their rights of requesting for immediate repayment.

In the opinion of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors.

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, 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 measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

i. The Group has been actively negotiating with certain financial institutions and identifying various options for financing the Group's working capital, repayments of the overdue borrowings as well as the commitments in the foreseeable future;

ii. The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties. Hengyang DreamEast Resort has resumed construction in June 2022, and then gradually launch pre-sale;

iii. The Group has been actively consulting with an independent third party to sell 51% of the equity of DreamEast Jiashan, and signed a preliminary cooperation agreement on 3 June 2021. However, its progress has been delayed due to related policy factors. The Vendor and the Purchaser are still in the course of negotiating the terms of the formal sale and purchase agreement;

iv. The Group has been actively searching for potential investors to provide additional source of finance to the Group, and negotiating with a number of financial institutions for renewal and extension of bank borrowings and credit facilities; and

v. The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustments and containment of capital expenditures.

The Company considers 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 Company considers that it is appropriate to prepare the consolidated financial statements of the Company on a going concern basis.

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

i. Successful obtaining new sources of financing as and when needed;

ii. Successful accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, and controlling costs and capital expenditure so as to generate adequate net cash inflows;

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

iv. Successful persuading the Group's existing lenders not to take action to demand for immediate repayment of the defaulted borrowings in year 2023.

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.

2. ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs – 2018-2020 Cycle

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. REVENUE

For the year ended 31 December 2022

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within HKFRS 15			
Recognised at point in time			
Entrance fee, food and beverage	**–**	**2,739**	**2,739**
Revenue from other sources			
Gross rental income from investment properties	**22,337**	**–**	**22,337**
Total revenue	**22,337**	**2,739**	**25,076**

For the year ended 31 December 2021

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within HKFRS 15			
Recognised at point in time			
Sales of properties	31,060	–	31,060
Entrance fee, food and beverage	–	7,182	7,182
	31,060	7,182	38,242
Revenue from other sources			
Gross rental income from investment properties	12,966	–	12,966
Total revenue	44,026	7,182	51,208

The Group's revenue generated from its property development and leasing, and tourism park operations were all at fixed price.

4. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focused on the types of goods or services delivered or provided. The Group's reportable segments for the CODM's purposes are (i) property development and leasing and (ii) tourism park operations.

The property development and leasing segment is principally engaged in property sales and leases to customers in property market.

The tourism park operations segment is engaged in operation of theme parks and provision of food and beverage services in the theme parks.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the CODM assess segment results without allocation of certain other gains and losses, net, certain other income, share of results of joint ventures, certain finance costs and certain administrative expenses. The basis of preparing such information is consistent with that of the consolidated financial statements.

The accounting policies of the reporting segments are the same as the Group's accounting policies.

Segment revenue and results

An analysis of the Group's revenue and results by reportable segments is as follows:

For the year ended 31 December 2022

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Consolidated *HK$'000*
Revenue from external customers and segment revenue	**22,337**	**2,739**	**25,076**
Reportable segment results	**(1,071,461)**	**(7,700)**	**(1,079,161)**
Unallocated income and expenses:			
Other gains and losses, net			**229**
Other income			**63**
Administrative expenses			**(12,314)**
Share of results of joint ventures			**181,983**
Finance costs			**(180,414)**
Loss before tax			**(1,089,614)**
Income tax credit			**178,895**
Loss for the year			**(910,719)**

For the year ended 31 December 2021

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Consolidated *HK$'000*
Revenue from external customers and segment revenue	44,026	7,182	51,208
Reportable segment results	(667,001)	(6,690)	(673,691)
Unallocated income and expenses:			
Other gains and losses, net			1,974
Other income			10,776
Administrative expenses			(7,538)
Share of results of joint ventures			(25,853)
Finance costs			(147,789)
Loss before tax			(842,121)
Income tax expense			(22,807)
Loss for the year			(864,928)

No analysis of segment assets and segment liabilities is presented as such information is not regularly provided to the CODM for the purposes of resources allocation and performance assessment.

Other information

For the year ended 31 December 2022

	Property development and leasing *HK$'000*	**Tourism park operations** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Capital expenditures				
– Property, plant and equipment	**713**	**–**	**–**	**713**
– Investment properties	**429**	**–**	**–**	**429**
Depreciation				
– Property, plant and equipment	**2,095**	**97**	**–**	**2,192**
– Right-of-use assets	**1,379**	**–**	**983**	**2,362**
Fair value change on investment properties	**715,579**	**–**	**–**	**715,579**
Provision for compensation	**32,246**	**–**	**–**	**32,246**
Reversal of provision for litigation	**(53,709)**	**–**	**–**	**(53,709)**
Impairment loss on trade receivables	**9,431**	**–**	**–**	**9,431**
Impairment loss on property, plant and equipment	**305**	**–**	**–**	**305**
Impairment loss of properties under development for sale	**2,197**	**–**	**–**	**2,197**
Reversal of impairment loss of right-of-use assets	**(4,997)**	**–**	**–**	**(4,997)**

For the year ended 31 December 2021

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation				
– Property, plant and equipment	2,285	132	–	2,417
– Right-of-use assets	1,425	2,147	983	4,555
Loss on disposal of property, plant and equipment	65	–	–	65
Addition of right-of-use assets	–	(2,147)	–	(2,147)
Gain on disposal of right-of-use assets	–	(132)	–	(132)
Fair value change on investment properties	34,343	–	–	34,343
Provision for compensation	38,452	–	–	38,452
Provision for litigation	101,342	–	–	101,342
Impairment loss of property, plant and equipment	3,558	–	–	3,558
Impairment loss of properties under development for sale	43,227	–	–	43,227
Impairment loss of right-of-use assets	1,016	–	–	1,016

Geographical information

The Group is principally engaged in properties development and leasing and tourism park operations in the PRC.

Information about the Group's revenue from external customers is presented based on the location at which the goods or services are delivered or provided. Information about the Group's non-current assets (excluding investment in joint ventures) is presented based on the geographical location of the assets or place of establishment.

The following table sets out information about the geographical location of the Group's revenue from external customers and non-current assets.

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**25,076**	51,208	**1,690,410**	3,013,447
Hong Kong	**–**	–	**656**	1,638
	25,076	51,208	**1,691,066**	3,015,085

Information about major customers

There are three (2021: two) external customers individually contributing property development and leasing revenue of HK$21,775,000 (2021: HK$36,888,000), which over 10% of the total revenue of the Group for the year ended 31 December 2022.

	2022	2021
	HK$'000	*HK$'000*
Customer A	**–**	28,936
Customer B	**2,912**	7,952
Customer C	**14,488**	–
Customer D	**4,375**	–
	21,775	36,888

5. OTHER GAINS AND LOSSES, NET

	2022	2021
	HK$'000	*HK$'000*
Foreign exchange gains, net	**187**	1,958
Provision for compensation	**(32,246)**	(38,452)
Reversal of (Provision) for litigation	**53,709**	(101,342)
Reversal of redundancy expenses	**–**	1,002
Others	**(552)**	(986)
	21,098	(137,820)

6. INCOME TAX (CREDIT) EXPENSE

The taxation (credited) charged to profit or loss represents:

	2022	2021
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income tax ("**EIT**")	**–**	–
Land appreciation tax ("**LAT**")	**–**	–
	–	–
Deferred tax, including EIT and LAT	**(178,895)**	22,807
	(178,895)	22,807

No provision for Hong Kong Profit Tax had been provided as the Group did not have any assessable profit from Hong Kong for the years ended 31 December 2022 and 2021.

For the years ended 31 December 2022 and 2021, Enterprise Income Tax has not been provided as the Group's subsidiaries in the PRC incurred a loss for taxation purposes.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions. No provision for PRC LAT had been made for the years ended 31 December 2022 and 2021 since the amount is insignificant to the Group.

7. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

8. LOSS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(903,659)**	(860,648)

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**285,491**	285,491

	2022	2021
Loss per share:		
– Basic	**(HK$3.17)**	(HK$3.01)
– Diluted	**(HK$3.17)**	(HK$3.01)

Note:

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 did not assume the conversion of the Company's Convertible Bonds I and II since its assumed exercise would result in decrease in loss per share.

It also did not assume the exercise of share options under the Company's share option scheme since its assumed exercise would have anti-dilutive effect for the years ended 31 December 2022 and 2021.

9. INVESTMENT PROPERTIES

	2022	2021
	HK$'000	*HK$'000*
Fair value		
At 1 January	**2,649,951**	2,609,669
Additions	**429**	–
Loss on fair value change of investment properties	**(715,579)**	(34,343)
Reclassified as restricted properties subject to court enforcement order *(note 9)*	**(387,306)**	–
Exchange realignment	**(191,914)**	74,625
At 31 December	**1,355,581**	2,649,951

The Group's property interests held under leases to earn rentals are measured using fair value model and is classified and accounted for as investment properties.

10. RESTRICTED PROPERTIES SUBJECT TO COURT ENFORCEMENT ORDER

Certain properties under development held for sale with carrying amount of approximately HK$141,260,000 and investment properties with fair value of approximately HK$387,306,000 were subject to an enforcement judgment by a court in the PRC and shall be sold to the lender of the Overdue Borrowings for partial settlement of the overdue loan and the Group's liabilities related to other legal claims. Details of which were disclosed in Legal Disputes section in this announcement

11. TRADE RECEIVABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade receivables	**24,762**	5,515
Less: allowance for credit losses	**(9,062)**	–
	15,700	5,515

The ageing analysis of trade receivables (net of allowance for credit losses) by invoice date at the end of the reporting is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Current to 90 days	**15,700**	5,515

At 31 December 2022 and 2021, there are no debtors which are past due but not impaired.

For trade receivables, the Group applies the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables are assessed individually for impairment allowance based on the historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

Movements in allowance for credit losses:

	2022 *HK$'000*	2021 *HK$'000*
At beginning of the reporting period	**–**	(1,461)
Increase in allowance	**(9,431)**	–
Written off	**–**	1,461
Exchange realignment	**369**	–
At end of the reporting period	**(9,062)**	–

12. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade and bill payables	**671,453**	748,179
Other payables, accruals and deposits received	**98,396**	110,129
Provision for litigation *(Note i)*	**197,084**	297,587
Provision for compensation *(Note ii)*	**122,287**	99,756
	1,089,220	1,255,651

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period on purchase of goods related to tourism park operation is 120 days (2021: 120 days).

The ageing analysis of trade and bills payables by invoice date at the end of reporting period is as follows:

	2022	2021
	HK$'000	*HK$'000*
0 – 180 days	**1,116**	308
181 – 365 days	**7,957**	105
Over 365 days	**662,380**	747,766
	671,453	748,179

(i) The provision for litigation represented provision made, other than the trade and other payables and borrowings already recognised, in relation to disputes under construction contracts in respect of the Group's various property development projects and defaults of repayment of bank and other borrowings. The provision was made based on best estimation on the outcomes of the disputes in consideration of the development of negotiations with the creditors and advice sought from the independent legal advisors and internal legal counsel. Reversal of provision amounted to approximately HK$53,709,000 *(2021: Additional provision amounted to approximately HK$101,342,000)* was recognised during the year, due to the reassessment of litigation status.

(ii) The provision for compensation represented compensation to end customers of properties sales due to late delivery of real estate certificates in accordance with the sales and purchase agreements and construction agreement. Additional provision amounted to approximately HK$32,246,000 (2021: approximately HK$38,452,000) was recognised during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the Group recorded revenue of HK$25.1 million, representing decrease of 51.0% from HK$51.2 million in 2021, which was mainly due to the decrease in revenue from sales of properties.

The Group recorded a net loss of HK$910.7 million (2021: HK$864.9 million). The loss was primarily attributable to (i) the loss on fair value change of investment properties amounted to HK$715.6 million (2021: HK$34.3 million), (ii) finance cost amounted to HK$560.0 million (2021: HK$572.6 million), and was partially offset by (iii) the gain on share of result from joint ventures amounted to HK$182.0 million (2021: loss amounted to HK$25.9 million) and (iv) the income tax credit of HK$178.9 million (2021: income the expense of HK$22.8 million). The loss on fair value change was primarily initiated by the compulsory enforcement order handed down by a court in PRC that the central zone of Fangshan Land shall be transferred to the Lenders at the transaction price of RMB480.6 million, leading to the substantial drop in fair value. In addition, there was reversal on provision for settlement fee and other relevant cost incurred in respect of the litigations with certain construction contractors and lenders of HK$53.7 million (2021: provision for HK$101.3 million).

As at 31 December 2022, the total assets of the Group decreased to HK$7,783.0 million from HK$9,160.1 million as at 31 December 2021. The Group has net liabilities of HK$837.1 million (2021: net assets of HK$112.3 million).

Basic loss per share attributable to the owners of the Company for the year amounted to HK$3.17 (2021: HK$3.01).

BUSINESS REVIEW

For the three-year period from 2020 to 2022, pandemic prevention and control has been the “main theme” and basic premise of the development of the cultural and tourism industry. The development of cultural and tourism enterprises has suffered bitterly from a significant downturn in the tourism economy, with the “circuit breaker” mechanism for cross-provincial tourism, the closure of tourist attractions and the static management of tourist destinations becoming commonplace.

In 2022, the real estate industry faced unprecedented challenges due to a number of unexpected factors such as the resurgence of the pandemic in many places of China and the suspension of construction of a number of forward housing delivery projects, coupled with the weakening release of momentum in medium- and long-term housing demand. Since the beginning of 2022, despite the continuous improvement in the demand-side policies and credit environment, the policies have not shown obvious effects and the deep adjustment in the real estate market has not changed.

At the end of 2022, the three-year pandemic officially came to an end with the release of the General Plan for the Implementation of Category B Management of Novel Coronavirus Infection by the Joint Prevention and Control Mechanism of the State Council. The industry has finally reached its most important turning point in three years. However, it will not be easy for the cultural and tourism and property sectors to recover in a short period of time from the ongoing downturn, and there is a long way to go to revitalise the industry and related companies.

Cultural Entertainment Business

Adhering to the promotion of Chinese culture with the focus on Chinese stories in the form of entertainment, original designs and craftsmanship, the development concept featuring "all-IPs" in our projects and the principle of User First, DreamEast is committed to delivering new entertainment experience with perfect online and offline integration by creating a unique offline entertainment platform. Meanwhile, with the vision of "Share the Beauty of China with the World（全球共享東方之美）", it commits to the development approach of "Innovation and Globalization" which integrates Chinese history, humanities, art, aesthetics and fashion into its works, and creates unique new entertainment experience for customers with its oriental craftsmanship.

Hengyang DreamEast Resort

The Hengyang DreamEast Resort is situated in Hengyang, Hunan Province, China. It is at the south of Mount Heng, which is surrounded by time-honoured cultural heritage and magnificent natural landscape, and is the important origin of Huxiang Culture. Hengyang DreamEast Resort selects its site in the urban district of south Hengyang, backed by Yumu Mountain and Hengshan Technology City in the east. It is approximately 15 kilometers away from Hengnan County in a straight line, and is created as a city of memory related to Huxiang Culture with Huxiang Culture as the soul and Huxiang landscape as the skeleton.

The development of the Hengyang DreamEast Resort comprised of "Four Towns and Five Parks", including the cultural town, the science and technology town, the forest town and the agricultural town as the Four Towns, and the DreamEast Adventure Park, the Fantasy Waterpark, the Pets Kingdom, the Agricultural Cultural Park and the International Sports Park as the Five Theme Parks. The DreamEast Shooting (Clay) Centre with a site area of approximately 69,000 square meters in the Hengyang DreamEast Resort was completed, and held the clay shooting match of the thirteenth sports game of Hunan province and the Hunan "DreamEast Cup" Youth Shooting Championship (Clay Project) successfully. The shooting centre will be opened to tourists for shooting experience in the future as one of the entertainment activities.

Taking advantages of the rich historical cultural and ecological resources of Hunan Province, and its superior development location, Hengyang DreamEast Resort undertakes the historical opportunities for the development and transformation of the entire city. With the support of vigorously developing the cultural and tourism industry by the nation, provinces and cities, Hengyang DreamEast Resort is expected to emerge as a tourist destination in Hengyang City and a national benchmark of industry linkage among primary, secondary, tertiary industry, and industry-city integration development, with aims to achieve a new industrial development model featuring with industry-city integration, tourism-city integration, and ecological integration, and thus creating a new center of Hengyang cultural and tourism industry that is green, ecological and sustainable development under the background of the new economic normal to present the world a city of Huxiang Culture, and become the core driving force of the "Southern Expansion" of Hengyang, thereby forming a new pattern characterized by "Mount Heng in the North and DreamEast in the South".

In May 2022, a signing ceremony was held in Hengyang between Hengyang DreamEast Resort Project Company and Hunan Zhongda Construction Group Co., Ltd., and the resumption of work on the Hengyang DreamEast project was officially announced. The project has been resumed under the working principle of "ensuring smooth delivery of houses on the one hand, and carrying out quality improvement of tourism facilities on the other". To date, the construction of the Hengyang DreamEast Resort project is progressing in an orderly manner and is expected to open to guests in the near future.

In August 2022, Hengnan County leaders visited Hengyang DreamEast Resort to conduct a survey and research. The county leaders gave full recognition to the project's long-term planning and recent goals, and said that the relevant government departments will give DreamEast the greatest support in the future advancement of the project, and do their utmost to promote the project's implementation and effectiveness, contributing to the vigorous development of the regional cultural and tourism business.

DreamEast Jiashan

The DreamEast Jiashan is positioned itself as a children dream world for the whole family and located in Jiashan County, Jiaxing City, Zhejiang Province in Greater Shanghai, China. In terms of comprehensive strength, Jiashan County is one of the top 100 counties in China. Situated at the intersection of Jiangsu Province, Zhejiang Province and Shanghai, Jiashan is the core district of the Yangtze River Delta city cluster and the first connection between Zhejiang Province and Shanghai. The DreamEast Jiashan is located in the tourist resort of Dayun Town, Jiashan with a planned area of approximately 733,000 square meters and will be developed in three phases. Phase 1 covers DreamEast Jiashan Experience Zone, Deer Elf Discovery Park, Dream Theatre, Dream Space, Hyatt Place Hotel, etc.; Phase 2 and Phase 3 comprise of a water village incorporating the millennia-old Wuyue culture with the functions of cultural experience, homestay tour, themed business, boutique inn and tourist residence, which is a children dream world that connects the whole family with art, aesthetics and innovation.

The 101 Experience Centre, which integrates cultural and artistic display and experience, was opened to the public. Later, it will serve as a tourist reception centre and image display window of the DreamEast Jiashan and even the Sweet Town, and be used to display various art forms such as painting, photography, sculpture, Jiangnan folk culture and Jiashan non–heritage culture, so that the whole family can be baptized with art and culture in happiness.

Phase 2 of the DreamEast Jiashan was included in the plans including "Zhejiang Province's '4 + 1' Major Project Construction Plan", "Zhejiang Province's 'Five 100 Billion' Investment Project", "Major Projects Intensively Commenced in Zhejiang Province" and "Major Project Plan of the Service Industry in Zhejiang Province". After the project is completed and put into operation, it will bring considerable benefits. It will further increase the development level of the culture and tourism industry in Jiashan, strengthen the integration and upgrade of cultural and tourism projects in the region, accelerate the construction of Jiashan Chocolate Sweet Town, promote the transformation and upgrading of service industries in the region, to achieve a win-win situation for enterprises and local fiscal revenue.

Since September 2020, the construction of DreamEast Jiashan has been temporarily suspended. During the period under review, the Group has been actively consulting with an independent third party to sell 51% of the equity of Dream Oriental Dream Jiashan, and signed a preliminary cooperation agreement on 3 June 2021. However, its progress has been delayed due to related policy factors. The Vendor and the Purchaser are still in the course of negotiating the terms of the formal sale and purchase agreement. The Company wishes to draw the attention of the shareholders and potential investors of the Company that the Vendor and the Purchaser are both willing to push forward the Disposal. It is expected that the aforesaid negotiations will be completed and that the terms of the formal sale and purchase agreement can be finalised in due course.

Xiake Island Ecological City

Xiake Island Ecological City is located in Xu Xiake Town, Jiangyin City in Jiangsu Province within the greater Shanghai region. With the Yangtze River on its north and Taihu Lake a little way on its south, Jiangyin has been an important transportation hub and a key military site since ancient times. It has a long history and rich cultural heritage, and was the home of the famous explorer Xu Xiake, and has been called “the Ancient County of Yanling” and “a loyal and righteous state”. Having the most listed companies in the county, it is also called the “Number One County-level City with the Most Capital in China”. By leveraging on its nearly 3.33 million square meters of natural wetland resources, Xiake Island Ecological City will turn itself into a highland to present and promote the Xu Xiake culture, and a tourist destination for “its original wetland life forms and an exceptional experience of the Xu Xiake culture”.

With a unique shape of “Paradise + Town”, Xiake Island Ecological City is a cultural town of Xu Xiake that integrates Xiake Academy, Mufu Clubhouse and theater space, combining with Xu Xiake Adventure Park that integrates motor-driven game, specialty catering and themed Concept Guesthouse representing a rare cultural travel model in China. It is believes that by leveraging on the cultural IP of “Xu Xiake”, Xiake Island Ecological City will achieve the integration and connection of multiple commercial activities to emerge as a new Chinese cultural and tourism complex for all ages. In the future, Xiake Island Ecological City will not only become a destination of learning and recreation for families in the Pan– Yangtze River Delta, but also will attract tourists from all over the world to have fun here!

On 22 January 2019, the Group made a successful bid for the land use rights of three pieces of lands situated at Xu Xiake Town, Jiangyin City in Jiangsu Province for commercial use at the total price of RMB474 million (approximately HK$551 million). Meanwhile, the Group entered into the cooperation agreement with 金茂蘇皖企業管理(天津)有限公司 (Jinmao Suwan Corporate Investment (Tianjin) Company Limited) ("Jinmao Investment") on 30 January 2019, in relation to the establishment of a joint venture company for codevelopment of Xiake Island Ecological City. Jinmao Investment was an indirect wholly-owned subsidiary of China Jinmao Holdings Group Limited (Stock Code: 817.HK). Pursuant to the cooperation agreement, the joint venture company will be owned as to 51% by the Group and 49% by Jinmao Investment. The joint venture company will be accounted for as a jointly controlled entity of the Group and the Group will recognise its interest in the joint venture company using the equity method in accordance with the relevant accounting principles. The revenue, assets and liabilities of the joint venture company will hence not be consolidated into the consolidated financial statements of the Group.

Xiake Island Ecological City completed its completion acceptance by the government authorities in May 2022, and ushered in the grand delivery season in June. Xiake Island Ecological City's reputation of "five openings and five sold out" and "double championship in 2021" has spread rapidly in Wuxi since the commencement of sales. The hot sale is the market's trust in Xiakai, and the delivery is the best fulfillment of Xiake Island Ecological City to its customers. Xiake Island Ecological City rewards the sincere trust of every customer with exquisite craftsmanship and higher quality of living services.

DreamEast Future World Aerospace Theme Park

DreamEast Future World is the first aerospace theme park in China and the second in the world, and a national AAAA-level tourist attraction. Located in Yanjiao National High–tech Development Zone in the east of Beijing, the scenic spot enjoys a unique geographical location. It is only a 30-minute drive from Tiananmen Square in Beijing, just across the river from Beijing's sub-center, and adjacent to transportation hubs such as Beijing Capital International Airport and Yanjiao Railway Station. It has been honored as a social classroom resource unit for primary and secondary school students in Beijing, one of the top ten cultural industry projects in Hebei Province, the scientific quality education base for all citizens in Hebei Province and the municipal best research and learning scenic spot. In March 2020, in view of the high-quality aerospace science resources and huge social influence of DreamEast Future World, it has been identified as the first batch of Hebei science popularization demonstration base by the Department of Science and Technology of Hebei Province, which greatly meets the needs of aerospace culture popularization in the Beijing-Tianjin-Hebei region.

DreamEast Future World covers a total area of 16,000 square metres and contains more than 30 high-tech experience projects. It is a comprehensive aerospace science and technology museum that integrates aerospace technology exhibitions, extracurricular science popularization education, and high-tech interactive experiences. The scenic spot adheres to the mission of "Popularizing Aerospace Knowledge and Spreading Aerospace Spirit" and has accumulatively received more than one million primary and middle school students and members of research and study groups at home and abroad. Through entertaining science popularization, it stimulates children's love for the aerospace undertaking, plants the seeds of science for children, and enlightens their aerospace dream. It is the second classroom for primary and middle school students to learn and grow and has developed into an influential aerospace technology research and study destination in China.

Due to the impact of the pandemic, DreamEast Future World was only open for 158 days in 2022. In particular, the project was unable to operate normally in the traditional peak marketing seasons of Spring Festival and May Day due to pandemic control; and all student study tours in Beijing, Tianjin and Hebei were restricted from travelling due to policy restrictions. 2022 saw a 48% year-on-year decrease in the number of visitors and a 60% year-on-year decrease in annual sales revenue.

In spite of the severe impact of the policy, DreamEast Future World actively expanded its online marketing channels to break through the bottleneck in sales brought about by objective factors. 80% of the annual ticket sales came from online sales channels such as WeChat and Tik Tok, unbundling restrictions to the greatest extent possible. In 2022, Future World focused its marketing efforts on tapping into the local market and radiating to neighbouring counties and cities in the region, and successfully planned a series of activities to benefit the public and minimise the impact of the pandemic.

Property Development and Leasing Business

Beijing Fangshan "COMB+" Project (the "Fangshan Project")

The Beijing Fangshan "COMB+" Project is located between the Southwest 5th and 6th Ring Roads in Beijing, China and only 2 minutes' walk from Suzhuang Station on Fangshan Line of the Beijing Subway. In July 2014, the Group acquired 3 land parcels for the North, Central and South Zones of the project at a total consideration of approximately HK$3.3 billion. The project occupies a total site area of approximately 147,000 square metres, with a gross floor area of approximately 434,000 square metres and a planned gross floor area of approximately 322,000 square metres.

The project is the first large-scaled integrated community in the district, which is not only the then key investment solicitation project on Fangshan District, but also the key project of constructing knowledge economy international demonstration zone. However, in the second half of 2017, the Beijing government implemented various adjustment measures to cool down the property market, coupled with adjustments to the policies of bank loan granting, resulting in the substantial stagnation of sales of Fangshan "COMB+" Project with slow development progress and difficult operation. Up to now, the sold gross floor area of Fangshan Project is 66,000 square meters, and the overall remaining salable sold gross floor area is approximately 259,000 square meters.

Even though the Fangshan Project is subject to Enforcement Action, it has still operated normally. This remains to be the current status of the Fangshan Project. The Company is in the course of negotiating the operating directions of the Fangshan Project with Shandong Asset. The Company is also in the course of negotiating a supplemental loan agreement with Shandong Asset. If there is further information, the Company will disclose it in a timely manner.

PROSPECTS

Policies are in the first place for industrial development. In 2022, the Ministry of Culture and Tourism and relevant national ministries and commissions issued several opinions or related measures on promoting cultural and tourism consumption and industrial development. It can be said that today's favourable policy environment, huge consumption potential and the rapid development of new technologies have given the cultural and tourism industry an unprecedented opportunity in history.

In addition, in December 2022, China published the Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035), which points out that the expansion of cultural and tourism consumption will further promote the high-quality development of the tourism industry and boost cultural and tourism consumption in terms of tourism scenery consumption and tourism product consumption, and the recovery of the tourism industry will enter the fast lane of speeding up and shifting gears.

In terms of real estate, in the fourth quarter of 2022, a number of regulatory authorities released a series of important positive signals by improving policies from both the supply and demand sides to stabilise expectations for the real estate market. Despite the continuous improvement in policies, the current weak expectations of residents' income and the wait-and-see sentiment of home buyers have not yet changed, and the real estate market is still under pressure for adjustment in the short term. In 2023, after the impact of the pandemic subsides, it is expected that China's macro economy will improve overall and the real estate market will gradually stabilise and recover.

The favourable policies have boosted enterprises' confidence in recovery. DreamEast will continue to push forward with the consolidation of its business and restructuring of its assets to drive the revitalisation of existing industries and turn crisis into opportunity.

LIQUIDITY AND FINANCING

As at 31 December 2022, the Group had a financial position with net liabilities of HK$837.1 million (31 December 2021: net assets of HK$112.3 million). Net current liabilities amounted to HK$3,256.3 million (31 December 2021: HK$3,502.7 million) with current ratio increasing from approximately 0.58 times at 31 December 2021 to approximately 0.60 times at 31 December 2022. The Group's total current assets as at 31 December 2021 amounted to approximately HK$4,910.5 million (31 December 2021: HK$4,926.8 million), which comprised properties under development for sale, completed properties held for sale, restricted properties subject to court enforcement order, inventories, trade receivables, other receivables, deposits and prepayments, amounts due from related companies, other current assets and bank balances and cash. Cash and cash equivalents were mainly denominated in RMB and HK$. The Group's total current liabilities as at 31 December 2022 amounted to approximately HK$8,166.8 million (31 December 2021: HK$8,429.5 million), which comprised trade and other payables, contract liabilities, amounts due to related companies and joint ventures, lease liabilities, tax payable, bank and other borrowings and convertible bonds and bonds. Bank and other borrowings were denominated in RMB and HK$. Bank and other borrowings of HK$789.6 million were obtained at fixed rate. The Group's negative gearing ratio was approximately 10.3 times (31 December 2021: positive gearing ratio of 80.6 times) based on total liabilities of approximately HK$8,620.0 million (31 December 2021: HK$9,047.7 million) and total deficit of approximately HK$837.1 million (31 December 2021: total equity of HK$112.3 million).

On 24 December 2015, the Company issued a five-year term RMB zero coupon convertible bonds due 2020 (the "**SkyOcean CB**") in an aggregate principal amount of RMB1,500 million to SkyOcean Investment Holdings Limited ("**SkyOcean Investment**"), the immediate holding company of the Company. As at 31 December 2020, the outstanding principal amount of the SkyOcean CB amounted to RMB450 million (equivalent to approximately HK$520.6 million). On 28 October 2020, the Company and SkyOcean Investment entered into the deed of amendment, pursuant to which it is agreed that, (i) the maturity date of the outstanding SkyOcean CB shall be extended from 23 December 2020 to 23 December 2025; (ii) the existing conversion price of HK$6.80 per Share will be adjusted to the revised conversion price of HK$2.00 per Share; and (iii) the SkyOcean CB shall bear interest from, and including the effective date at the rate of 5% per annum of the outstanding principal amount of the SkyOcean CB, which is payable semi-annually.

On 12 November 2015 and on 28 June 2016, the Company entered into subscription agreements with Chance Talent Management Limited, an indirect wholly-owned subsidiary of CCB International (Holdings) Limited (the "**CCBI Bond Holder**"), pursuant to which the CCBI Bond Holder subscribed for bonds ("**CCBI Bonds**") in aggregate of HK$740 million and convertible bonds ("**CCBI CB**") of RMB29.5 million (equivalent to HK$36.0 million), respectively. As at 31 December 2021, the outstanding principal amount of the CCBI Bonds was HK$465.4 million (2021: HK$501 million) and the balance has already been matured on 30 June 2021. The outstanding principal amount of the CCBI CB as at 31 December 2022 and 2021 was Nil. The Company was in the process of negotiation with the CCBI Bond Holder on repayment schedule at the end of the reporting period.

On 30 June 2021, the CCBI Bonds became overdue and default. On 26 November 2021, it came to the notice of the Board that Mr. Lai Kar Yan and Mr. Yeung Lui Ming, both of Deloitte Touche Tohmatsu were appointed by the CCBI Bond Holder as the joint and several receivers (the "**Appointment of Receivers**") over the Charged Assets (the "**Charged Assets**"), which include (i) 205,182,287 Shares owned by SkyOcean Investment, (equivalent to approximately 71.87% of the total number of issued shares of the Company) and (ii) the charged SkyOcean CB in the aggregate principal amount of RMB450,000,000. The Company has been informed that upon the Appointment of Receivers, the powers of management of the directors of SkyOcean Investment over the Charged Assets have been suspended and they no longer have any power to deal with or to exercise any rights attached to the Charged Assets. For details of the Appointment of Receivers, please refer to the announcement of the Company dated 30 November 2021.

As of the date of this announcement, the outstanding principal amounts of the CCBI Bonds in the sum of HK$465.4 million with interest have not been settled.

GOING CONCERN AND MITIGATION MEASURES

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 Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

i. The Group has been actively negotiating with certain financial institutions and identifying various options for financing the Group's working capital, repayments of the overdue borrowings as well as the commitments in the foreseeable future;

ii. The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties. Hengyang DreamEast Resort has resumed construction in June 2022, and then gradually launch pre-sale;

iii. The Group has been actively consulting with an independent third party to sell 51% of the equity of DreamEast Jiashan, and signed a preliminary cooperation agreement on 3 June 2021. However, its progress has been delayed due to related policy factors. The Vendor and the Purchaser are still in the course of negotiating the terms of the formal sale and purchase agreement;

iv. The Group has been actively searching for potential investors to provide additional source of finance to the Group, and negotiating with a number of financial institutions for renewal and extension of bank borrowings and credit facilities; and

v. The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

CURRENCY AND FINANCIAL RISK MANAGEMENT

With the majority of the Group's businesses transacted in RMB and HK$, the aforesaid currencies are defined as the functional currency of the Company and some subsidiaries respectively. Apart from certain bank balances and cash and bonds denominated in foreign currencies, the Group is not subject to any significant risk from fluctuations in exchange rates. No currency hedging arrangement had been made by the Group during the reporting period. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

PLEDGE OF ASSETS

As at 31 December 2022, properties under development for sale with carrying amount of approximately HK$2,951.0 million (31 December 2021: approximately HK$3,592.3 million), investment properties with carrying amount of approximately HK$1,355.6 million (31 December 2021: approximately HK$2,650.0 million), completed properties held for sale with carrying amount of approximately HK$255.6 million (31 December 2021: approximately HK$279.5 million), property, plant and equipment with carrying amount of approximately HK$124.1 million (31 December 2021: approximately HK$90.7 million), right-of-use assets with carrying amount of approximately HK$33.1 million (31 December 2021: approximately HK$32.4 million) and restricted properties subject to court enforcement order with carrying amount of approximately HK$528.6 million (31 December 2021: Nil) were pledged to certain banks, a financial institution and a related party to secure borrowings obtained from the aforesaid parties.

SIGNIFICANT INVESTMENT HELD

During the Year, the Group held approximately 42% effective equity interests of SkyOcean Real Estate (Tangshan) Co., Ltd. and 51% equity interests of TianMao Cultural Development (Jiangyin) Co., Ltd. During the year ended 31 December 2022, investment gains in joint ventures were recorded. The Company expects that investment in joint ventures will continue to improve in the future.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the Year, there were no material acquisitions or disposals of subsidiaries and associates by the Group.

MANAGEMENT AND STAFF

At 31 December 2022, the total number of employees (including both full time and part time) was 72 (31 December 2021: 89). Total staff costs amounted to approximately HK$15.5 million for the year ended 31 December 2022 (2021: HK$20.8 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices, and individual and Group performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of HK$239.6 million (31 December 2021: HK$166.2 million).

LEGAL DISPUTES

As at 31 December 2022, the Group is subjected to legal claims amounted to approximately HK$4,132.0 million (2021: approximately HK$4,585.8 million), mainly in relation to disputes under construction contracts in respect of its various property development projects and defaults of repayment of several bank and other borrowings, which arose during the normal course of business, involving (i) disputes under construction contracts in the amount of approximately HK$691.8 million (2021: approximately HK$770.3 million) in respect of its various property development projects; (ii) defaults of repayment of several bank and other borrowings in the amount of approximately HK$3,383.3 million (2021: approximately HK$3,739.6 million); and (iii) other miscellaneous legal claims in the amount of approximately HK$56.9 million (2021: approximately HK$75.9 million) which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, property, plant and equipment, right-of-use assets, properties under development for sale, completed properties held for sale and restricted properties subject to court enforcement order in an aggregate amount of approximately HK$5,159.3 million (2021: approximately HK$6,408.2 million) and the withdrawal of bank deposits of approximately HK$10.4 million (2021: approximately HK$10.3 million) as at 31 December 2022. In the opinion of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group.

The management has sought advice from the independent legal advisors or internal legal counsel on these matters. As at 31 December 2022, the Group has provided construction cost liabilities due to litigation amounting to approximately HK$163.4 million (31 December 2021: HK$207.1 million) in relation to the above mentioned construction contracts under dispute.

Other outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately HK$3,440.1 million (2021: approximately HK$3,815.5 million) in aggregate. Provision for litigation on other claims amounted to HK$33.6 million (31 December 2021: HK$90.5 million) has been made in the consolidated financial statements at 31 December 2022 in respect of these claims. The Company considers that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere in this announcement, the Group has the following litigations with some of its lenders:

1) On 10 January 2017, 北京天洋基業投資有限公司 (Beijing SkyOcean Foundation Investments Co., Ltd.**) ("**Beijing SkyOcean**"), an indirect wholly-owned subsidiary of the Company entered into a loan agreement with 恒豐銀行股份有限公司北京分行 (Hengfeng Bank Securities Co., Ltd. Beijing Branch**) ("**Hengfeng Bank**"), pursuant to which Hengfeng Bank granted a term loan in the amount of RMB2,800.0 million (equivalent to approximately HK3,327.0 million) to the Beijing SkyOcean for a term of 5 years for the purpose of financing the development and construction cost of a parcel of land in Fangshan District, Beijing, the PRC, under the COMB+ project (the "**Fangshan Land and CIP**"). The Fangshan Land was charged to Hengfeng Bank as one of the securities for the repayment of the loan.

   On 28 February 2020, Beijing SkyOcean was informed that all rights under the loan and the relevant securities were transferred from Hengfeng Bank to 山東省金融資產管理股份有限公司 (Shandong Financial Assets Management Securities Co., Ltd.**) ("**Shandong Assets**").

   On 13 August 2020, 北京市第二中級人民法院 (Second Intermediate People's Court of Beijing**) (the "**Beijing Court**") issued an enforcement judgment, pursuant to which it made an order that, amongst other things, Shandong Assets has the right to enforce the security of the loan by auctioning or selling the Fangshan Land and properties under construction in progress (CIP) and enjoy priority to the proceeds of the auction or the sale (as the case may be) ("**Enforcement Judgment**"). 天洋控股集團有限公司 (SkyOcean Holding Group Co., Ltd.**), being one of the guarantors of the loan (the "**Guarantor**"), applied to the Beijing Court for an order that the Enforcement Judgment should not be enforced, which was rejected by the Beijing Court on 13 November 2020.

In December 2020, Beijing SkyOcean was informed by Shandong Assets that (i) it intended to enforce the security over the Fangshan Land and CIP by putting it on an public auction (the "**Auction**") in satisfaction of the loan (the "**Enforcement Action**"); and (ii) an application has been made to the Beijing Court for a valuation of the Fangshan Land and CIP, which shall be relied upon by Shandong Assets as the base price of the Auction. Based on the valuation report dated 2 December 2020 prepared by an independent valuer employed by Shangdong Assets, the valuation of the Fangshan Land and CIP as at 23 October 2020 was approximately RMB2,798.7 million (equivalent to approximately HK$3,325.3 million) (the "**Valuation**").

On 31 December 2020, Beijing SkyOcean was in default of an outstanding principal of approximately RMB2,510 million (equivalent to approximately HK$2,982.3 million) and the accrued interest of approximately RMB213.7 million (equivalent to approximately HK$254.0 million).

On 13 January 2021, the Guarantor filed an application to the Beijing Court to object to the Valuation (the "**Application**"), and as informed by the Beijing Court in early March 2021, the Beijing Court has appointed 北京房地產估價師和土地估價師與不動產登記代理人協會 (Beijing Real Estate Valuer and Land Valuer and Immovable Asset Registration Agency Association**) to provide a professional technical assessment（專業技術評審工作）(the "**Assessment**") on the merits of the Application. The result of the Assessment was released on 30 March 2021 and concluded that the Application was without merit.

On 15 April 2021, the Beijing Court issued a notice to Beijing SkyOcean that the auction for southern zone of Fangshan Land was scheduled to take place at 阿里巴巴司法拍賣網路平台 (Alibaba Judicial Auction Network Platform**) ("**Platform**") of the Beijing Court from 27 May 2021 to 28 May 2021. Based on the information disclosed on the Platform after the close of the Auction on 28 May 2021, no bid was received for the southern zone of Fangshan Land and CIP and the Auction was unsuccessful.

According to legal procedures, the case was automatically entered into the sell-off process after unsuccessful auction. The sell-off process of southern zone of Fangshan Land and CIP took place at the Platform from 30 July 2021 to 28 September 2021. Based on the information disclosed on the Platform after the close of the sell-off process on 28 September 2021, no bid was received for the southern zone of Fangshan Land and CIP and the sell-off process was unsuccessful.

On 13 December 2021, the Beijing Court issued another notice to Beijing SkyOcean that another auction for central zone of Fangshan Land is scheduled to take place at the Platform on 30 December 2021. The base auction price was approximately RMB480.6 million. However, no bid was received for the central zone of Fangshan Land and the sell-off process was unsuccessful.

On 17 November 2022, a further enforcement judgment was handed down by the Beijing Court that the central zone of Fangshan Land held by the Group shall be transferred to Shandong Assets at the transaction price of RMB480.6 million (equivalent to approximately HK$538.0 million), and the proceeds from the transaction would be used for partial settlement of the Overdue Borrowings and the Group's liabilities related to other legal claims. Accordingly, the central zone of Fangshan Land has been reclassified and presented as restricted properties subject to court enforcement order in the Group's consolidated statement of financial position as at 31 December 2022.

As at 31 December 2022, the southern zone of Fangshan Land and CIP was recognised as properties under development for sale amounted to approximately HK$2,562 million (31 December 2021: approximately HK$2,852 million).

The Company is in the process of obtaining a new loan from an independent financial institution for repayment to Shangdong Assets and nothing is concluded up to the date of approval of these consolidated financial statements.

2) On 15 May 2018, 湖南夢東方文化發展有限公司 (Hunan DreamEast Cultural Development Co., Ltd.**) ("**Hunan DreamEast**"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with 北京銀行股份有限公司長沙分行 (Bank of Beijing Co., Ltd. Changsha Branch**) ("**Bank of Beijing**"), pursuant to which Bank of Beijing granted a 5-years term loan in the amount of approximately RMB320.0 million (equivalent to approximately HK364.8 million) to the Hunan DreamEast for the purpose of financing the development and construction cost of a parcel of land in Hengyang, the PRC under the Hengyang Project (the "**Hengyang Land**").

Hunan DreamEast was in default of an outstanding principal of approximately RMB263.1 million (equivalent to approximately HK$312.8 million). Without notice to Hunan DreamEast, Bank of Beijing filed a civil claim of RMB263.1 million against Hunan DreamEast with 湖南省長沙市中級人民法院 (Intermediate People's Court of Changsha, Hunan Province**) on 17 November 2020. The first judgment of the civil claim was handed down on 14 March 2022 by Intermediate People's Court of Changsha, Hunan Province in favour of Bank of Beijing. Hunan DreamEast disagreed with the judgment and made appeal to 湖南省高級人民法院 (High People's Court, Hunan Province**) on 9 August 2022. The appeal has been concluded on 3 November 2022 and the appeal made by Hunan DreamEast was dismissed. The overdue interests payable as at 31 December 2022 has been included in the Group's bank and other borrowings and the corresponding claim costs have been recognised in provision for litigation.

Hunan DreamEast is in the process of negotiation with Bank of Beijing on repayment schedule at the end of the reporting period.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group since the end of the reporting period and up to the date of this announcement.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("**2023 AGM**") is scheduled to be held on 28 June 2023, Wednesday. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from 23 June 2023, Friday to 28 June 2023, Wednesday (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for non-registered holders of shares of the Company to be eligible to attend and vote at the 2023 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited of Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 21 June 2023, Wednesday.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Year, the Company has applied the principles of, and complied with, the applicable code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for certain deviations which are summarised below:

Code Provisions E.1.2, D.3.3, C.1.8 and D.1.2 of the CG Code

Code Provisions E.1.2 and D.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("**Remuneration Committee**") adopted by the Company are in compliance with Code Provision E.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with Code Provision D.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

Further details of the reasons for relevant deviations of the terms of reference were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2021. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Code provision C.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against the Directors. However, the Company was unable to obtain a favorable quotation on the directors and officers ("**D&O**") liability insurance policy from the insurers in light of the existing operating cash flow of the Company. The Board will consider the terms and conditions of any new D&O liability insurance cover that are offered by the insurers from time to time and within the budget of the Company.

Code provision D.1.2 of the CG Code stipulates that the management should provide all members of the Board with monthly updates. During the Year, the management has provided to all members of the Board with updates on any material changes to the positions and prospects of the Company at each Board meeting and also in written communication as and when necessary, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision D.1.2.

MODEL CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of inside information in relation to the Company or its securities. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company.

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

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the Group's annual results for the year ended 31 December 2022.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars CPA 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 Mazars CPA Limited on this announcement.

EXTRACT FROM DRAFT INDEPENDENT AUDITOR'S REPORT

The auditor has expressed a disclaimer of opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2022. The details of which are extracted as follows:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Material uncertainty related to going concern

As discussed in note 2 to the consolidated financial statements, as at 31 December 2022, the Group had net current liabilities of HK$3,256.3 million and capital deficiency of HK$837.1 million, and the Group has incurred losses since 2019 and reported a loss of HK$910.7 million for the year ended 31 December 2022. In addition, any further liabilities or obligations arising from the legal disputes (see note 35 to the consolidated financial statements), loans and bonds may have significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than those that are currently recorded in the consolidated statement of financial position as at 31 December 2022. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

On behalf of the Board
DREAMEAST GROUP LIMITED
Zhou Jin
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Ms. Zhou Jin (Chairman) and Mr. Yang Lei being the executive Directors, and Mr. Lau King Pak and Mr. Chiu Wai Shing being the non-executive Directors, and Dr. Chen Guanglei, Dr. Meng Xiaosu, Mr. Yang Buting, Mr. Zhao Daxin and Mr. Choi, Clifford Wai Hong being the independent non-executive Directors.

** *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*