天譽置業(控股)有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00059 and Bonds Stock Code: 5310, 5311, 5367, 5379, 5567, 5580, 5602, 5626, 5821 and 5855)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the consolidated final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022, together with comparative figures for the corresponding year of 2021. The consolidated final results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Revenue	*2*	**2,069,989**	7,662,876
Cost of sales and services		**(2,275,233)**	(5,965,692)
Gross (loss)/profit		**(205,244)**	1,697,184
Other income		**5,802**	7,372
Other gains/(losses) – net		**13,008**	(11,179)
Sales and marketing expenses	*4*	**(175,796)**	(290,656)
Administrative and other expenses	*4*	**(421,711)**	(400,788)
Fair value changes in investment properties		**(204,447)**	(5,335)
Impairment loss of properties under development and properties held for sale		**(1,169,096)**	(90,038)
Impairment loss on investment in a joint venture		**(20,161)**	–
Impairment loss of trade receivables, deposits and other receivables		**(116,670)**	(41,749)
Impairment loss on amounts due from non-controlling interests		**(117,028)**	(1,338)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale		**(12,093)**	–
Fair value changes of financial assets at fair value through profit or loss ("FVPL")		**(249,219)**	(271,383)
Loss on partial disposal of a subsidiary		**(77,361)**	–
Operating (loss)/profit		**(2,750,016)**	592,090
Share of (loss)/profit of a joint venture, net of tax		**(3,988)**	414
Share of loss of an associate, net of tax		**(641)**	–
Finance (costs)/income - net	*3*	**(1,089,734)**	90,943
(Loss)/Profit before income tax		**(3,844,379)**	683,447
Income tax credit/(expense)	*5*	**249,690**	(573,979)
(Loss)/Profit for the year		**(3,594,689)**	109,468

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Other comprehensive (loss)/income, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(138,674)**	5,899
Total comprehensive (loss)/income for the year		**(3,733,363)**	115,367
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(3,491,272)**	(284,209)
– Non-controlling interests		**(103,417)**	393,677
		(3,594,689)	109,468
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(3,629,946)**	(278,310)
– Non-controlling interests		**(103,417)**	393,677
		(3,733,363)	115,367
Loss per share			
– Basic and diluted (expressed in RMB)	*6*	**(0.414)**	(0.035)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**112,095**	538,580
Right-of-use assets		**216,087**	362,425
Investment properties		**3,019,134**	3,658,458
Interest in a joint venture		**20,162**	44,311
Interest in an associate		**89,359**	–
Deferred tax assets		**526,251**	286,170
		3,983,088	4,889,944
Current assets			
Properties under development		**11,840,893**	14,272,226
Properties held for sale		**2,469,807**	1,692,505
Financial assets at FVPL		**–**	226,956
Trade receivables	*8*	**181,557**	198,106
Other receivables, deposits and prepayments	*8*	**5,105,497**	4,987,771
Contract costs		**282,207**	298,342
Restricted cash		**493,279**	2,879,579
Cash and cash equivalents		**83,644**	1,331,042
		20,456,884	25,886,527
Assets of a disposal subsidiary classified as held for sale	*12*	**1,525,239**	–
		21,982,123	25,886,527
Current liabilities			
Trade payables	*10*	**35,952**	43,275
Accruals and other payables	*10*	**5,437,758**	5,961,909
Contract liabilities		**4,165,517**	5,387,594
Lease liabilities		**17,507**	17,507
Bank and other borrowings	*9*	**6,746,359**	6,777,010
Income tax payable		**1,620,398**	1,668,682
		18,023,491	19,855,977
Liabilities of a disposal subsidiary classified as held for sale	*12*	**985,607**	–
		19,009,098	19,855,977
Net current assets		**2,973,025**	6,030,550
Total assets less current liabilities		**6,956,113**	10,920,494

	Note	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Bank and other borrowings	9	**4,690,058**	4,698,797
Lease liabilities		**191,715**	172,354
Deferred tax liabilities		**367,229**	429,635
		5,249,002	5,300,786
Net assets		**1,707,111**	5,619,708
Equity			
Share capital		**26,092**	26,092
Other reserves		**1,717,603**	1,693,396
(Accumulated losses)/Retained earnings		**(1,143,285)**	2,507,856
Equity attributable to owners of the Company		**600,410**	4,227,344
Non-controlling interests		**1,106,701**	1,392,364
Total equity		**1,707,111**	5,619,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(b) Historical cost convention and presentation currency

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("**FVPL**") and investment properties which are carried at fair value.

Disposed subsidiary held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

(c) Going concern basis

The 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 or attaining profitable operations in future and the success of the below plans and measures.

The Group reported a loss of approximately RMB3,594,689,000, a loss attributable to the owners of the Company of approximately RMB3,491,272,000 for the year ended 31 December 2022 and a net cash outflow from operation of approximately RMB2,469,316,000. As at the same date, the Group's had total banks and other borrowings amounted to approximately RMB11,436,417,000, of which amounted to approximately RMB6,746,359,000 were repayable within 12 months, while its cash and cash equivalents and restricted cash amounted to approximately RMB83,644,000 and RMB493,279,000 respectively.

Since January 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across China and other countries. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental income and so on.

The business of the Group is also subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the People's Republic of China (the"**PRC**") government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

As at 31 December 2022, the Group's bank and other borrowings to the extent of approximately RMB4,810,343,000 were either overdue or due for immediate repayment despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 31 December 2022. This is mainly because:

(i) On 21 June 2022 and 8 July 2022, the Group failed to make principal payment totaling approximately RMB1,957,968,000 under the relevant terms and conditions of its senior notes and bonds. This constituted an event of default under the respective terms of senior notes and bonds. As a result, the outstanding principal amounts of the senior notes and bonds totaling approximately RMB2,026,699,000 became immediately due and payable with original contractual repayment dates in the years of 2023, 2024, 2033 and 2034 have been classified as current liabilities as at 31 December 2022;

(ii) As at 31 December 2022, non-current secured and non-secured bank borrowings of approximately RMB547,655,000 with contractual repayment dates of 19 February 2024 and 5 April 2033 contains a repayable on demand clause. As a result, the outstanding principal amount has been classified as current liabilities as at 31 December 2022; and

(iii) As at 31 December 2022, other borrowings to the extent of approximately RMB278,021,000 were on repayable on demand terms.

Together with the interest payables and default interests for borrowings to the extent of approximately RMB1,211,291,000 and RMB26,090,000 respectively as at 31 December 2022, the aggregate borrowings and interests that were either overdue or due for immediate repayment amounted to approximately RMB6,047,724,000 as at 31 December 2022.

In order to protect the fair and reasonable interests of all the Company's creditors, the Company made an application with the Bermuda Court for appointment of "light touch" provisional liquidators and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the application, an order (the "**Order**") in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators (the "JPLs") on a light touch approach with limited powers for restructuring purposes.

Under the order of Bermuda Court, for so long as the JPLs are appointed to the Company, no action or proceeding shall be proceeded with or commenced against the Company except with leave of the Bermuda Court and subject to such terms as the Bermuda Court may impose; no payment or disposition of the Company's property or issuance or allotment of new shares could be made or effected without the approval of the JPLs.

On 11 October 2022, the Company received a winding-up petition against the Company (the "**Petition**") presented by one of the creditors to the High Court of the Hong Kong Special Administrative Region (the "**High Court**") in relation to the alleged non-repayment by the Company of the senior notes.

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 directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken 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 is undergoing the debt restructuring plan (the "**Debt Restructuring Proposal**"). The Debt Restructuring Proposal refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) revise certain key terms and conditions of the original borrowing agreements and indenture, including but not limited to extension of principal and interest payment schedules and reduction in applicable interest rates; and (ii) convert the outstanding debts into equity interests of project companies of the Group.

    In respect of the above, the Company appointed a financial advisor and debt restructuring scheme advisor to facilitate the Debt Restructuring Proposal.

    The Company is also actively negotiating with the creditors of the Group for the execution of the Debt Restructuring Proposal.

(ii) In relation to the secured and non-secured bank borrowings which contain cross default clause, the Group is actively negotiating with the lenders for the waiver of the relevant clause.

(iii) The Group is also identifying and negotiating with potential investors to invest in various projects undertaken by the Group.

(iv) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group.

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

(vi) The Group will continue to implement plans and measures to accelerate the pre- sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceed so as to generate adequate net cash inflows;

(vii) The Group has uncommitted project loan facilities and other general facilities, which can provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations; and

(viii) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, in light of the above plans and measures and taking into account the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above.

Should the Group failed to achieve 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 the consolidated financial statements.

(d) Adoption of amendments to HKFRSs

In the current year, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2022.

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

In addition, the Group has adopted the Amendments to AG 5 (Revised) - Merger Accounting for Common Control Combination.

The adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in the consolidated financial statements.

(e) **New or amendments to HKFRSs not yet effective**

The following are new or amendments to HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of the above new or amendments to HKFRSs is expected to be in the period of initial adoption. So far, based on preliminary assessments, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

2. SEGMENT REPORTING

The executive directors, as the chief operating decision-makers ("**CODM**") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and commercial operation. Revenue consists of sales of properties, income of property management services, rental income of investment properties and commercial operation. Revenue of the year consists of the following:

	2022	2021
	RMB'000	*RMB'000*
Sale of properties	**1,949,149**	7,484,208
Property management services	**95,258**	148,826
Rental income	**23,174**	25,546
Commercial operation	**2,408**	4,296
	2,069,989	7,662,876

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

Segment results represent the profit earned by each segment without fair value losses on financial assets, losses on disposal of financial assets, interest income and dividend income of financial assets, unallocated operating costs, finance income – net and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Commercial operation services are mainly operations in youth community projects. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interest in a joint venture, interest in an associate, financial assets at FVPL, cash and cash equivalents, deferred tax assets and certain unallocated corporate assets.

- All liabilities are allocated to operating segments other than income tax payable, deferred tax liabilities and certain unallocated corporate liabilities.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2022						
Segment revenue						
External revenue	1,949,149	95,258	23,174	2,408	–	2,069,989
Inter-segment revenue	–	14,373	8,911	–	(23,284)	–
	1,949,149	109,631	32,085	2,408	(23,284)	2,069,989
Timing of revenue recognition						
At a point in time	1,949,149	–	–	–	–	1,949,149
Transferred over time	–	109,631	–	2,408	(23,093)	88,946
Revenue from other sources	–	–	32,085	–	(191)	31,894
Total	1,949,149	109,631	32,085	2,408	(23,284)	2,069,989
Segment results	(623,391)	(28,229)	(1,953)	(103)	–	(653,676)
Reconciliation:						
Unallocated corporate net expenses						(142,358)
						(796,034)
Impairment loss of trade receivables, deposits and other receivables						(116,670)
Impairment loss on amounts due from non-controlling interest						(117,028)
Impairment loss of properties under development and properties held for sale	(1,169,096)	–	–	–	–	(1,169,096)
Fair value changes in investment properties	–	–	(204,447)	–	–	(204,447)
Fair value changes of financial assets at FVPL						(249,219)
Share of loss of a joint venture, net of tax						(3,988)
Share of loss of an associate, net of tax						(641)
Impairment loss of investment in a joint venture						(20,161)
Loss on partial disposal of a subsidiary						(77,361)
Finance costs – net						(1,089,734)
Consolidated loss before income tax						(3,844,379)

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Other segment information:						
Depreciation and amortisation	**(31,083)**	**(283)**	**1,230**	**(1)**	**–**	**(30,137)**
Additions to properties under development	**1,094,277**	**–**	**–**	**–**	**–**	**1,094,277**
Capital expenditure						**507**
As at 31 December 2022						
Assets and liabilities						
Assets						
Reportable segment assets	**20,520,931**	**80,665**	**3,094,908**	**3,452**	**–**	**23,699,956**
Reconciliation:						
Interest in a joint venture						**20,162**
Deferred tax assets						**526,251**
Cash and cash equivalents						**83,644**
Unallocated corporate assets						
– Property, plant and equipment						**75,968**
– Other receivables and prepayments						**349,000**
– Restricted cash						**493,279**
– Other corporate assets						**716,951**
Consolidated total assets						**25,965,211**
Liabilities						
Reportable segment liabilities	**14,601,048**	**179,458**	**522,942**	**3,652**	**–**	**15,307,100**
Reconciliation:						
Deferred tax liabilities						**367,229**
Income tax payable						**1,620,398**
Lease liabilities						**209,222**
Unallocated corporate liabilities						
– Bank and other borrowings						**6,552,839**
– Other corporate liabilities						**201,312**
Consolidated total liabilities						**24,258,100**

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2021						
Segment revenue						
External revenue	7,484,208	148,826	25,546	4,296	–	7,662,876
Inter-segment revenue	–	110,221	12,077	93,315	(215,613)	–
	7,484,208	259,047	37,623	97,611	(215,613)	7,662,876
Timing of revenue recognition						
At a point in time	7,484,208	–	–	–	–	7,484,208
Transferred over time	–	259,047	–	97,611	(203,536)	153,122
Revenue from other sources	–	–	37,623	–	(12,077)	25,546
Total	7,484,208	259,047	37,623	97,611	(215,613)	7,662,876
Segment results	1,172,707	22,885	8,416	747	–	1,204,755
Reconciliation:						
Unallocated corporate net expenses						(229,609)
						975,146
Impairment loss of trade receivables, deposits and other receivables						(43,087)
Impairment loss of properties under development and properties held for sale	(90,038)	–	–	–	–	(90,038)
Fair value changes in investment properties	–	–	(5,335)	–	–	(5,335)
Interest income from financial assets at FVPL						26,787
Fair value changes of financial assets at FVPL						(271,383)
Share of profit of a joint venture, net of tax						414
Finance income – net						90,943
Consolidated profit before income tax						683,447

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Commercial operation RMB'000	Elimination RMB'000	Total RMB'000
Other segment information:						
Depreciation and amortisation	(24,702)	(393)	(6,946)	(6)	–	(32,047)
Additions to properties under development	5,650,653	–	–	–	–	5,650,653
Capital expenditure						121,795
As at 31 December 2021						
Assets and liabilities						
Assets						
Reportable segment assets	20,944,787	49,881	4,334,950	17,235	–	25,346,853
Reconciliation:						
Interest in a joint venture						44,311
Financial assets at FVPL						226,956
Deferred tax assets						286,170
Cash and cash equivalents						1,331,042
Unallocated corporate assets						
– Property, plant and equipment						413,992
– Other receivables and prepayments						361,204
– Restricted cash						2,449,555
– Other corporate assets						316,388
Consolidated total assets						30,776,471
Liabilities						
Reportable segment liabilities	17,200,687	91,063	505,334	4,541	–	17,801,625
Reconciliation:						
Deferred tax liabilities						429,635
Income tax payable						1,668,682
Unallocated corporate liabilities						
– Bank and other borrowings						5,157,142
– Other corporate liabilities						99,679
Consolidated total liabilities						25,156,763

Geographical information

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Information about major customers

The Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: same).

3. FINANCE (COSTS)/INCOME – NET

	2022	2021
	RMB'000	*RMB'000*
Interest expense and default interest for bank and other borrowings	**(1,237,380)**	(1,064,650)
Interest on lease liabilities	**(19,361)**	(18,336)
Less: amount capitalised	**472,505**	1,060,179
	(784,236)	(22,807)
Foreign exchange (loss)/gain on financing activities – net	**(323,661)**	97,847
	(1,107,897)	75,040
Finance income:		
Bank interest income	**18,163**	15,903
Finance (costs)/income – net	**(1,089,734)**	90,943

4. EXPENSES BY NATURE

	2022	2021
	RMB'000	*RMB'000*
Cost of properties sold – including construction cost, land cost and capitalized interest expenses	**2,191,167**	5,818,020
Staff costs (including directors' emoluments)	**170,737**	232,601
Advertising costs	**53,372**	261,458
Taxes and levies	**(23,267)**	55,422
Other direct costs	**58,899**	89,747
Depreciation and amortisation	**28,429**	32,047
Auditor's remunerations	**2,600**	4,920
– audit services	**2,600**	4,870
– non-audit services	**–**	50
Short-term lease payments	**2,226**	2,267

5. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2022	2021
	RMB'000	*RMB'000*
PRC corporate income tax	**6,244**	595,825
PRC land appreciation tax	**45,293**	187,877
	51,537	783,702
Deferred tax		
– PRC corporate income tax	**(301,227)**	(209,723)
	(301,227)	(209,723)
Total income tax (credit)/expense	**(249,690)**	573,979

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group's entities located in Mainland China is 25%.

PRC withholding income tax ("WHT")

Under the Enterprise Income Tax ("**EIT**") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("**BVI**"), the Group is not subject to any income tax under these jurisdictions.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group's entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

6. LOSS PER SHARE

The calculation of basic loss per share amounts for the year ended 31 December 2022 is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year (2021: weighted average number of ordinary shares in issue and participating equity instruments resulting to new shares issued due to the exercises of share options).

The calculation of the diluted loss per share amounts for the year ended 31 December 2022 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share option and share award scheme (2021: same). As the Group incurred loss attributable to owners of the Company for the year ended 31 December 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive (2021: same).

	2022	2021
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss earnings per share	**(3,491,272)**	(284,209)
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic loss per share	8,436,013	8,099,032
Effect of dilutive potential ordinary shares in respect of the Company's share options schemes and share award scheme	–	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	8,436,013	8,099,032
Basic (expressed in RMB)	(0.414)	(0.035)
Diluted (expressed in RMB)	(0.414)	(0.035)

7. DIVIDENDS

No dividend paid during the year ended 31 December 2022. The dividend paid during the year ended 31 December 2021 in was the payment of the 2020 final cash dividend of HK$0.030 per ordinary share totaling HK$253,390,000 (equivalent to RMB210,824,000)).

No dividend for the year ended 31 December 2022 (2021: Nil) has been proposed by the board of directors the Company.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
Trade receivables, gross	**199,537**	224,790
Less: loss allowance	**(17,980)**	(26,684)
	181,557	198,106

The majority of the Group's sales are derived from sales of properties, property management services and rental income. Proceeds in respect of sales of properties, property management services and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts. All trade receivables are due from independent third parties.

The ageing analysis of trade receivables as at the end of reporting period, based on invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**18,252**	27,140
Over 30 days and within 90 days	**133**	4,404
Over 90 days and within 365 days	**3,278**	8,121
Over 365 days	**177,874**	185,125
	199,537	224,790

	2022	2021
	RMB'000	*RMB'000*
Deposits and other receivables:		
Amounts due from non-controlling interests, gross	**1,050,678**	1,076,846
Less: Loss allowance	**(120,973)**	(3,945)
	929,705	1,072,901
Loan to a JV Partner, gross	**349,000**	361,204
Less: Loss allowance	**(146,129)**	(36,120)
	202,871	325,084
Guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority	**735,273**	596,850
Sale proceeds kept by a monitoring governmental authority	**411,859**	574,901
Maintenance funds paid on behalf of properties owners	**56,684**	64,022
Tender deposit in development project	**45,510**	45,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	**24,900**	24,900
Others	**138,400**	438,907
Wage deposit for migrant workers	**34,159**	40,817
	1,446,785	1,785,907
Less: Loss allowance	**(42,937)**	(27,572)
	1,403,848	1,758,335
	2,536,424	3,156,320
Prepayments:		
Prepaid construction costs	**1,030,997**	1,025,126
Prepaid taxes and surcharges	**994,648**	417,112
Prepayment for proposed projects	**543,428**	389,213
	2,569,073	1,831,451
Total	**5,105,497**	4,987,771

9. BANK AND OTHER BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Non-current		
Bank borrowings		
– Secured	**3,546,701**	2,838,428
Notes/bonds		
– Secured	**1,703,969**	1,469,479
– Unsecured	**4,030,182**	3,272,700
Other borrowings		
– Secured	**1,281,241**	1,336,033
– Unsecured	**236,594**	–
Less: current portion of non-current borrowings	**(6,108,629)**	(4,217,843)
Total	**4,690,058**	4,698,797
Current		
Current portion of non-current borrowings	**6,108,629**	4,217,843
Bank borrowings		
– Secured	**148,057**	130,872
Notes/bonds		
– Secured	**158,486**	128,295
Other borrowings		
– Secured	**331,187**	2,300,000
	6,746,359	6,777,010
Total	**11,436,417**	11,475,807

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade payables *(Note)*	**35,952**	43,275
Construction costs payable	**2,708,306**	3,818,059
Accrued taxes and surcharges	**1,458,157**	1,061,330
Other payables and accruals		
– Related parties	**274,477**	4,006
– Third parties	**683,213**	896,580
Litigation costs	**8,946**	26,655
Tender payable for acquisition of property development projects	**151,077**	–
Tender payable to the suppliers	**78,880**	66,225
Receipt in advance, rental and other deposits from residents and tenants		
– Related parties	**213**	213
– Third parties	**57,041**	60,275
Accrued staff salaries and bonuses	**17,448**	28,566
	5,437,758	5,961,909

Note: The ageing analysis of trade payables as at the end of reporting period, based on invoice date, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within 30 days	**8,301**	8,368
Over 30 days and within 90 days	**6,531**	4,000
Over 90 days and within 365 days	**6,467**	17,110
Over 365 days	**14,653**	13,797
	35,952	43,275

11. COMMITMENTS

	2022	2021
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**6,488,407**	8,293,205

12. ASSETS AND LIABILITIES OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE

On 30 December 2022, the Group entered a sale and purchase agreement with an independent purchaser in connection with the disposal of the 80% interest in Chongqing Zhiyuan Property Company Limited, an indirectly non-wholly held subsidiary of the Group with effective interest rate of 73.73% ("**the Disposal Company**"), with a consideration of approximately RMB542,077,000. The Disposal Company is engaged in property development in PRC. The purchaser is a subsidiary of a company listed on the Hong Kong Stock Exchange which is also engaged in property development in the PRC. The purchaser originally owns 20% equity interest in the Disposal Company and provides the Group a borrowing with principal amount of approximately RMB280,000,000.

The Group expects a loss on disposal of approximately RMB6,775,000 to be recognised upon the completion of the transaction. The completion of the transaction is conditional as further details on the Company's announcement on 30 December 2022. Up to the date of approval of the consolidated financial statements, the transaction has not yet completed but the Group anticipants that the sale will be completed within 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 31 December 2022

A. Business review

During the year 2022, the macro environment of the China's real estate industry has undergone tremendous downturn. Property buyers stayed away from the property market in China due to economic and home price uncertainties, concerns over the unpredictable repeated COVID-19 outbreaks, economic recession risk, certain property developers' failure to deliver the properties on time as well as the increasing risk of unemployment. Buyer sentiment has broadly sagged and nationwide home price fell late year 2021 for the first time since 2015. Fitch Ratings in April 2022 lowered its forecast on the property sales by value. Overall, the sale of property industry in China slowed down dramatically and prices fell. Alongside, the real estate developers began to encounter difficulties in raising fund through traditional channels in the capital market which has created tremendous pressure on the liquidity of most market players.

Although the Group's projects are mainly located in the Greater Bay Area and first and second-tier cities with the most resilient to turbulences, the Company has in year of 2022 experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the year of 2022, the Group achieved contracted sales totaling RMB1.5 billion, declined by 86% compared to the last year. The market downturn has had a material adverse effect on the Company's ability to realize its inventories or implement any disposal plan of its assets.

Further, since early 2022, the Group's access to new financing has not been notably improved which has further exacerbated the Group's current liquidity constraints.

Since late June 2022, in the aftermath of the failure to repay certain loans and notes that were mature, the Group encountered financial difficulties to meet its liabilities falling due. With the intention to implement an orderly administered restructuring program with creditors, the Company has applied to the Bermuda Court for the appointment of "light touch" provisional liquidators for debt restructuring purposes in July 2022 that was approved by the Bermuda Court on 15 August 2022 (Bermuda time). The announcements of the Company have been made on 16 August 2022 and 31 October 2022 in relation to the appointment of JPLs and the Petition. In most recently, the Chief Justice of the Commercial Court of the Supreme Court Bermuda adjourned the hearing of the Petition to Friday, 28 April 2023 (Bermuda time). Further announcements on the development of the debt restructuring and the Petition will be made by the Company to update the shareholders and potential investors of the Company as and when required.

Despite the current difficulties encountered, the management expects that the various supportive and comprehensive policies recently issued by the local government to real estate developers will have a positive effect on overall market conditions, leading the business environment relatively stable and healthy.

In the year of 2022, the Group recorded contracted sales totaling RMB1.5 billion (2021: RMB11.1 billion). The GFA contracted, covered 14 Projects under development and completed projects. Other than contracted sales that were delivered and recognized during the year, the remaining will be recognized as property sales in the later years in 2023 to 2024 when the subject properties are delivered.

The turnover of properties delivered in 2022 was RMB2.1 billion, declined by 73% compared to the figures of the last year. The Group had nine projects (2021: nine) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame • Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Kunming Skyfame City and Kunming Anning Linxi Valley. The Group delivered aggregate GFA of 268,000 sq.m. (2021: 846,000 sq.m.) and recorded property sale revenue before direct taxes of RMB2,121 million (2021: RMB8,147 million).

The Group's recognized sales of properties in sale value before direct taxes and saleable GFA by projects for the year are as follows:

	Recognized Sales	
Project	**Gross Amount** *RMB'million*	**GFA Delivered** *sq.m.*
Guangzhou Skyfame Byland	15	1,000
Zhongshan Skyfame Rainbow	85	6,000
Chongqing Skyfame • Smart City	382	42,000
Nanning Skyfame Garden	37	16,000
Nanning Skyfame ASEAN Maker Town	95	17,000
Nanning Spiritual Mansions	225	1,000
Xuzhou Skyfame Time City	10	7,000
Kunming Anning Linxi Valley	846	115,000
Kunming Skyfame City	426	63,000
Total in year 2022	2,121	268,000

B. Property Portfolio

As at 31 December 2022, we have project portfolio and potential land reserves in aggregate GFA of 27 million sq.m. mainly located in Guangzhou, Shenzhen, Zhongshan, Zhuhai, Huizhou in the Guangdong-Hong Kong-Macao Greater Bay Area, Nanning and Guilin in the Southern Region of China, Xuzhou and Nanchang in the Eastern Region of China, and Chongqing, Kunming and Guizhou in the Southwestern Region of China. The land reserves provide us a solid capacity for a sustainable growth in the approaching timelines. Depending on the status of development of each project, the profiles about our land bank are categorized into group 1 as "properties completed, under or held for development", group 2 as "co-operation projects" and group 3 as "potential land reserves" as below:

1. Properties completed, under or held for development

During the year, we held eighteen real estate development projects in mainland China of which six have been completed and the others under construction or for imminent development, together with joint venture projects we participated in and other projects held by a third parties that we are acting as project manager, all in all, we are holding interests in nineteen projects, either completed, under construction or for future development. As at 31 December 2022, all these projects renders a total GFA of approximately 10.4 million sq.m..

The table below sets out details of property portfolio.

Project	Location	Property type	Estimated total GFA (sq.m.)	Estimated total saleable GFA (Note a) (sq.m.)	Accumulated saleable GFA delivered (sq.m.)	Actual/ Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	160,000	126,000	2017–19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	2,104,000	901,000	–	2024–30	78%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	–	2025	99%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	–	2025	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	50%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	–	2023–24	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	942,000	2016–18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	766,000	2018–26	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	559,000	2020–22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2023–25	98%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	378,000	2019–21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021–2023	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	431,000	–	2023–25	89%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	64%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	968,000	467,000	2017–28	98%
Chongqing Skyfame Linxifu	Chongqing	Residential & ancillary commercial	448,000	352,000	–	2022–24	74%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	240,000	115,000	2022	*(note b)*
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	63,000	2022–27	90%
Sub-total - developed by subsidiaries			**10,396,000**	**7,447,000**	**3,708,000**		
Co-operation projects *(note c)*			**336,000**	**222,000**			
Total			**10,732,000**	**7,669,000**			

Note:

(a) Total saleable GFA excludes un-saleable area for municipal facilities, area allocated to a cooperative partner and resettlement housing to be provided without sale considerations in certain projects.

(b) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above project profile refers to GFAs under development by the project company.

(c) Co-operation projects refer to the project which is developed by joint venture pursuant to the relative agreements. The above project profile refers to the GFAs under development.

In Guangdong-Hong Kong-Macao Greater Bay Area:

(1) Guangzhou Skyfame Byland ("廣州天譽半島")

The project, named as Guangzhou Skyfame Byland, is held by a subsidiary of the Company whereas a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司), is entitled to share 28% in developable GFA of the completed properties. The legal title over the remaining 72% of the completed properties rests with the Group.

The plot is located at Zhoutouzui, Haizhu district, Guangzhou, at the riverside of Bai e lake, one of the top 8 attractions in Guangzhou. The project represents the only sizable luxury living community with the widest river view in downtown of Guangzhou. The project is a mixed-use development with a total GFA of approximately 315,000 sq.m. (total saleable GFA of 160,000 sq.m.), consisting of seven towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

The entire project had been completed. 800 car parking spaces are retained by the Group for long-term leasing purpose.

(2) Guangzhou Fengwei Village Project (“廣州鳳尾村項目”)

The project is an old village redevelopment project located in Fengwei Village, Jiufo Street (九佛街), Huangpu District, Guangzhou. The project is adjacent to the Hongwei metro station, which is about one hour away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The project covers a land for a total GFA of 2,104,000 sq.m. (total saleable GFA of 901,000 sq.m.).

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited (“**Tianyu Jurong**”), was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, Tianyu Jurong became the cooperative entity for the project. The demolition works on the land and the construction has been commenced.

(3) Guangzhou Luogang Project (“廣州蘿崗項目”)

The project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The project occupies a site of 50,263 sq.m. with planned GFA of 122,000 sq.m. (total saleable GFA of 101,000 sq.m). The land is originally granted for industrial purpose and our management plans to develop the project into serviced apartments and commercial properties. The management is currently negotiating with the district government about the redevelopment of the zone into a commercial project.

Guangzhou Luogang Project has development right enabling the Group to commence development subject to obtaining government approval on conversion of land uses. Investment costs paid on the project are presented as prepayments for proposed projects grouped into “Other receivables and prepayments” of the consolidated balance sheet.

(4) Skyfame Health Smart City (“天譽大健康智慧工業園”)

The project, named as Skyfame Health Smart City is located at the southeast of Guangming New Zone, Shenzhen. The project company holds a right to redevelop on the land for a total GFA of 183,000 sq.m. (total saleable GFA of 128,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction has been commenced during 2021.

(5) Zhongshan Skyfame Rainbow (“中山天譽虹悅”)

The project, named as Zhongshan Skyfame Rainbow and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. The total GFA of the project is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). The entire project had been completed and has been delivered to buyers up to 31 December 2022.

(6) Skyfame Zhuhai Bay (“天譽珠海灣”)

The Group has interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project has been developed into a residential development with total GFA of 276,000 sq.m. (saleable GFA of 212,000 sq.m.) for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsided housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2024.

<u>*In Southern Region of China:*</u>

(7) Nanning Skyfame Garden (“南寧天譽花園”)

Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town, are collectively branded as“Nanning Skyfame City” (“南寧天譽城”). The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province. The project has been developed into a residential community, namely “Nanning Skyfame Garden”, with a total GFA of 1,202,000 sq.m. (saleable GFA of 960,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants. The entire project had been completed and up to 31 December 2022, a total saleable GFA of 942,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the operation of our second “Yuwu Startup” co-work place.

(8) Nanning Skyfame ASEAN Maker Town ("南寧天譽東盟創客城")

The development covers three land plots of 194,222 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi. The project is within walking distance from Nanning Skyfame Garden. The project is a development complex divided into east and west zone and is developed in phases. Planned total GFA is 1,305,000 sq.m. (saleable GFA of 1,047,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as Westin Nanning in a skyscraper in a height of 346 meters named as the Skyfame ASEAN Tower ("天譽東盟塔"), together with a community development consisting of serviced apartments, retail properties, and ancillary facilities specifically developed for young occupants named as "the World of Mr. Fish"("魚先生的世界"). The west zone features residential and retail properties named as "Nanning Skyfame Byland" ("南寧天譽半島"). Construction works of the two zones is scheduled to complete by phases up to 2026. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2022, residential and commercial units of saleable GFA of 766,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 281,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA are scheduled to be delivered in 2023 onwards until 2026, the expected year of delivery of Skyfame ASEAN Tower.

(9) Nanning Spiritual Mansions ("南寧檀府 • 印象")

The Group participates in an arrangement with 40% equity interest in a project company formed with two other local developers. The project is located in the core area of Wuxiang New Zone, between Skyfame Garden and Vanke Park, at the north of Yudong Avenue (玉洞大道) in Liangqing District, Nanning. The project, named as "Nanning Spiritual Mansions", is situated on a land plot of approximately 138,000 sq.m. and to be developed in GFA of 749,000 sq.m. (saleable GFA of 584,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2022, a total saleable GFA of 559,000 sq.m. has been delivered to buyers.

(10) Guilin Lipu Skyfame Jade Valley ("桂林荔浦天譽翡翠谷")

The land of the project was acquired through a public auction. The project, named as Guilin Lipu Skyfame Jade Valley, is located in Lipu City (荔浦市) at the south of Guilin City. Lipu is the transportation hub to Guilin (桂林), Liaozhou (柳州), Wuzhou (梧州) and Hezhou (賀州) cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 236,000 sq.m. of which 230,000 sq.m is saleable. Construction commenced in late 2019 and delivery is expected to be in 2023 to 2025.

In Eastern Region of China:

(11) Xuzhou Skyfame Time City ("徐州天譽時代城")

Xuzhou Skyfame Time City is located at Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) in Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It is an eco-residential and commercial development with residential and ancillary commercial units. The project has been completed in 2021, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 378,000 sq.m. delivered up to 31 December 2022.

(12) Xuzhou Skyfame Elegance Garden ("徐州天譽雅園")

The project, named as Xuzhou Skyfame Elegance Garden, is located at 1 km apart from Xuzhou Skyfame Time City. The land plot was acquired through a land auction in 2017 with a total GFA of about 205,000 sq.m. (saleable GFA of 153,000 sq.m.). Up to 31 December 2022, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2023.

(13) Xuzhou Skyfame Smart City ("徐州廣譽智慧城")

The land of the project was acquired through a land auction in 2019. The site is located in the north of the downtown of Xuzhou in Jiulihu district (九里湖)，next to the Zhangxiaolou (張小樓) river and a wetland park under plan. The project, namely Xuzhou Skyfame Smart City, is a mixed development in a total GFA of 538,000 sq.m. (saleable GFA of 431,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced with construction works expected to be completed in 2023 to 2025.

(14) Nanchang Skyfame Fenghuangyue (“南昌天譽鳳凰樾”)

The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Nanchang Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed and but subject to certain minor rectification and upgrading works. Up to 31 December 2022, aggregate saleable GFA of 75,000 sq.m has been delivered to buyers.

In Southwestern Region of China:

(15) Chongqing Skyfame • Smart City (“重慶天譽 • 智慧城”)

The project is located in Nanan District of Chongqing, one of the city’s three major CBDs embracing the central government district, at the river shore of the Yangsze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties. The equity interests in the project company were acquired in phases starting in 2018 to 2019.

Phase 1 of the project, named as “Gold Purple” (“紫金一品”), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Phase 2, named as “Chongqing Skyfame•Smart City”, is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 708,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held for long term and remaining 459,000 sq.m. for sale. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2028.

Up to 31 December 2022, aggregate saleable GFA of 467,000 sq.m. has been delivered to the buyers.

(16) Chongqing Skyfame Linxifu (“重慶天譽林溪府”)

The site located at the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq.m. (saleable GFA of 352,000 sq.m.). Construction and presale has been commenced and it is expected to be completed by around 2024.

(17) Kunming Anning Linxi Valley ("昆明安寧林溪谷")

The Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley, is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 295,000 sq.m. (saleable GFA of 240,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. Pre-sale was launched and the construction has been completed by phase. Up to 31 December 2022, aggregate saleable GFA of 115,000 sq.m. has been delivered to the buyers.

(18) Kunming Skyfame City ("昆明天譽城")

The land of this project was acquired through a land auction. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, is the first phase of a youth community project and is a residential development with total GFA of 507,000 sq.m. (saleable GFA of 389,000 sq.m.). Pre-sale was launched in 2020 and the completion of construction is expected to be completed by phase until year of 2027. Up to 31 December 2022, aggregate saleable GFA of 63,000 sq.m. has been delivered to the buyers.

2. Co-operation project

As of 31 December 2022, our property portfolio consists of project jointly developed by joint venture or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 0.3 million sq.m..

3. Potential Land Reserves

3.1 Intended bids for lands

To prepare for future land replenishments, we have signed co-operation agreements with local governments or a third party in Nanning, Xuzhou and Kunming for obtaining lands through future public auctions with an aggregate GFA of 11.7 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 Urban redevelopment projects

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide an aggregated estimated GFA of approximately 4.7 million sq.m.. Investments made on these projects are included as "Other receivables and prepayments" on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Group has capacity of additional land bank in estimated GFA of 16.4 million sq.m..

C. Investment properties

Alongside with the development of properties for sale, the management selects suitable properties from the Group's projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2022, the Group holds six investment properties (2021: seven) in an aggregate GFA of approximately 328,700 sq.m. at aggregated fair values of RMB3,019.1 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

1. Commercial properties under development in Chongqing Skyfame • Smart City

As a condition of the land transfer contract in respect of the properties under development in Chongqing Skyfame • Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,302.0 million as at 31 December 2022 (2021: RMB1,308.0 million).

2. Commercial properties in Skyfame Nanning ASEAN Maker Town

Total GFA of 50,000 sq.m. is being leased to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper. The property, carries an open market value of RMB657.0 million as at 31 December 2022 (2021: RMB686.0 million).

3. Car parking spaces in Guangzhou Skyfame Byland

800 car parking spaces were leased to a management company for fixed monthly rentals and subsequently terminated during the year. These car parking spaces carry an open market value of RMB486.0 million as at 31 December 2022 (2021: RMB538.0 million).

4. Commercial podium at Tianyu Garden Phase II

Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB424.0 million as at 31 December 2022 (2021: RMB429.0 million).

5. Office premises at Huancheng HNA Plaza

Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2022. The open market values of the premises as of 31 December 2022 are RMB52.1 million (2021: RMB54.0 million).

6. Office premises at Capital Centre

Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is for long-term investment purpose. The open market value of the property as of 31 December 2022 is RMB98.0 million (HK$109.7 million) (2021: RMB111.5 million (HK$136.3 million)).

D. Business Outlook

Our world today is living through accelerating changes unseen in a century, the Russia-Ukraine war continues, global inflation remains high, the US Federal Reserve remains under pressure to raise interest rates further, global economic and trade growth is weakening, and the world has entered a new phase of instability and transformation. China has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising.

While pursing high-quality of economic development, China is still under the triple pressures of shrinking demand, disrupted supply and weakening expectations. However, given the large and resilient size of the Chinese economy, we are cautiously optimistic about the Chinese government's target of 5% GDP growth in 2023, given that the COVID-19 pandemic is over.

In terms of China's real estate industry, the industry suffered an unprecedented storm in 2022, and various risks arising therefrom still need time to be addressed. However, strict real estate regulatory policies have shifted to easing, and policies have been introduced to support real estate enterprise financing in terms of credit, bonds, and equity. Market confidence is gradually recovering. At the beginning of the year, housing sales in first-tier cities represented by Beijing and Shanghai took the lead in recovering. Although it still will take some time for the recovery to spread to second and third-tier cities, we expect that the recovery of the industry will gradually emerge throughout the year, and the situation will be more obvious in the second half of the year. It will be a high probability event that the whole year performance will be better than 2022.

The real estate industry has always been a pillar industry of China's economy, and the aspiration of 1.4 billion Chinese people for a better life remains unchanged, so the Group still has confidence in the long-term development of the industry. In 2023, we will continue to respond calmly, defuse risks and ensure stable operation of the group. We will continue to pay close attention to the market trends, determine sales based on production, and seize the market opportunities of each project. We will continue to accelerate the construction progress of the old renovation project of Fengwei Village, Huangpu District, Guangzhou, and strive to achieve sales collection. We will continue to resolutely carry out asset disposal work, and vigorously promote cash repatriation. And we also will continue to focus on maintaining active communication with creditors of all parties and push forward debt restructuring to realize the best interests of creditors.

E. Financial Review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB1,949.1 million for the year (2021: RMB7,484.2 million). During the year, the Group had delivered GFA totaling approximately 268,000 sq.m. of properties in nine projects (2021: nine projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Kunming Anning Linxi Valley, Kunming Skyfame City, and Chongqing Skyfame • Smart City, at an overall average selling price of RMB8,000 per sq.m. (2021: RMB9,700 per sq.m).

Gross deficit on property sales for the year is 13.1% (2021: gross profit of 21.5%). The lower margins for the year is due to the intense market competition and the complex and volatile external real estate environment in PRC as compared to the last year.

The leasing of properties revenue amounted to RMB23.2 million (2021: RMB25.5 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong. The major investment property under development of the Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed in 2023 to 2026.

Operating expenses

Sales and marketing expenses amounted to RMB175.8 million for the year, a decrease of 39.5% compared to RMB290.7 million in the last year due to the Company's cost planning arrangement and the overall decline in the property sale environment.

Administrative and other expenses, amounting to RMB421.7 million (2021: RMB400.8 million), increased by 5.2% compared to last year. The increase in administrative and other expenses was primarily a result of advanced penalty and fines to layoffs of staff due to the Company's cost planning arrangement and the legal and professional expenses in relation to the debt restructuring and the legal cases of the Group during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB207.4 million for the year (2021: RMB270.7 million) of which RMB36.6 million (2021: RMB38.1 million) were capitalized as development cost of properties under development. As a result of the stringent cost and expense controls starting in late 2021, staff force is reduced by 20.5% and reflected by the reduction of number of staff at year end.

Finance cost/income – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,237.4 million (2021: RMB1,064.7 million) for the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB764.9 million (2021: RMB4.5 million) charged against the operating results for the year related to general interest not qualified for capitalisation. Finance costs also included interest incurred on lease liabilities amounted to RMB19.4 million (2021: RMB18.3 million) and foreign exchange loss on financing activities of RMB323.7 million (2021: exchange gain of RMB97.8 million) of offshore loans denominated in HK$ and US$ booked at closing rates as a result of depreciation of RMB against the HK$ and US$ during the year.

Income tax expense

Income tax expense mainly includes land appreciation tax of RMB45.3 million (2021: RMB187.9 million) on properties sold for the year and provision of RMB6.2 million (2021: RMB595.8 million) for corporate income taxes on assessable earnings for the year, netting off the deferred tax credit totaling RMB301.2 million (2021: RMB209.7 million).

Loss/Profit for the year

Loss for the year was approximately RMB3,594.7 million (2021: a profit of RMB109.5 million).

Loss for the year included RMB3,491.3 million loss attributable to owners of the Company (2021: loss of RMB284.2 million) and RMB103.4 million (2021: gain of RMB393.7 million) loss attributable to non-controlling interests.

In 2022, the Group's net loss attributable to owners and the overall downward pressure on the Group's gross loss were mainly due to (i) the sharp decline in property sales recognized in the face of the complex and volatile external real estate environment in China; (ii) the downward on the gross profit margin in general as a result of intense market competition and the regulatory policies in the industry; (iii) the increase in finance cost; (iv) the increase in the provision of trade and other receivables and impairment of inventory due to the market uncertainties and the impact of the tough business environment in the real estate industry; (v) the expected net foreign exchange losses due to the fluctuations of foreign exchange rate and (vi) the continued impact of the COVID-19 epidemic. In view of the uncertainty of the current market conditions, the Group expedited the sales and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy of the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

Liquidity and Financial Resources

		31 December	
		2022	2021
	Change in %	***RMB'000***	*RMB'000*
Total assets	– 15.6%	**25,965,211**	30,776,471
Net assets	– 69.6%	**1,707,111**	5,619,708

Total assets of the Group amounted to RMB25,965.2 million (2021: RMB30,776.5 million), a 15.6% decrease from last year. Properties under development, at carrying value of RMB11,840.9 million, is the biggest asset category, constituting 45.6% of the total assets of the Group. Total assets also include investment properties of RMB3,019.1 million, properties held for sale totaling RMB2,469.8 million, property, plant and equipment, right-of-use assets totaling RMB328.2 million, other receivables and prepayments totaling RMB5,105.5 million, restricted cash of RMB493.3 million and cash and cash equivalents of RMB83 million.

In order to ease the short-term financial stress and to enhance the liquidity position, the Company will focus on improving the net cash from operating activities and debt restructuring and to meet its funding requirements in its normal course of operation, procuring the disposal of noncore or idle assets and implementing tighter control over costs, working capital and capital expenditures.

Appointment of Joint Provisional Liquidators and Winding Up Petition and Possible Debt Restructuring of the Company

During the year of 2022, the Company made an application with the Bermuda Court for appointment of "light touch" joint provisional liquidators for debt restructuring purposes and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time), an Order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators on a light touch approach with limited powers for debt restructuring purposes. The Company will continue to maintain active communication with creditors and adopt practicable measures to unite the consensus of creditors in order to promote the implementation of the debt restructuring plan. For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 April 2023 (Bermuda time).

Management's position and basis on the going concern assumption

As detailed above in relation to the appointment of JPLs and the proposed implementation of debt restructuring plan of the Company, conditions existed as at 31 December 2022 indicating the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. The management of the Company is actively negotiating with the JPLs and the creditors for a viable debt restructuring plan.

As at the date of publication of the financial information for the year ended 31 December 2022, the debt restructuring plan has not been determined yet and the eventual outcome of the debt restructuring plan cannot be determined with reasonable certainty. Assuming the successful implementation of the proposed debt restructuring plan, the Board is of the view that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB11,436.4 million at the year-end date, slightly decreased by 0.3% from the balance of RMB11,475.8 million as at 31 December 2021. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

Net debt calculated as total borrowings net of cash and cash equivalents and less guarantee deposits for bank borrowings included in restricted cash (the "**Net Debt**"), increased to RMB11,340.8 million (2021: RMB7,832.8 million).

The cash level (excluded restricted cash secured for the payment of construction cos of related properties) at the year-end date decreased sharply to RMB95.6 million at 31 December 2022 (2021: RMB3,643.0 million), mainly due to the sharply decline in the sale performance and the return of restricted deposit received of RMB2,300.0 million during the year. The net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) increased to 86.9% as at 31 December 2022 (2021: 58.2%).

Current assets aggregated to RMB21,982.1 million as at 31 December 2022 (2021: RMB25,886.5 million), a decrease of 15.1% from last year. Current liabilities at the year-end date amounted to RMB19,009.1 million (2021: RMB19,856.0 million).

The current ratio is slightly decreased to 1.2 times as at 31 December 2022 (2021: 1.3 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Group.

Borrowings and pledge of assets

As at 31 December 2022, certain investment properties, self-use properties, right-of-use assets, properties held for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2022, aggregate outstanding balances of these secured borrowings amounted to RMB7,406.2 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB16.3 billion as at 31 December 2022. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. Contingent Liabilities

As at 31 December 2022 and 2021, the Group has been involved in a number of lawsuits arising in the ordinary course of business, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Group. Other than those disclosed elsewhere, where appropriate, the Group has no other significant contingent liabilities.

G. Treasury Management

The Group is engaged in property development and other activities which are mainly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2022, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB6,430.2 million, representing 56.2% of total borrowings, and overseas properties for self-use and leasing in Hong Kong with carrying value of HK$180.7 million (equivalent to RMB161.4 million). All other assets and liabilities in material values are denominated in RMB. These assets and liabilities denominated in non-RMB are converted to RMB at the closing exchange rates of RMB against these US and HK dollars on consolidation into the financial accounts of the Group.

Throughout the year ended 31 December 2022, RMB has depreciated 9.3% and 9.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB323.7 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 31 December 2022 results to an exchange loss of RMB138.7 million which is recorded in the exchange reserve that forms part of the equity of the Group.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.

H. Risk Management

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. The standing risk management committee set up by the board of directors guides our management team to build up controls in the daily operational process and alerts the board on critical risks that may cause significant consequences. Our internal audit department conducts regular reviews to check the implementation of the controls.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2022 financial statements, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except for the following deviation:

Code Provision C.2.1 – Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company is not separated as required but is currently dually performed by Mr. YU Pan, since 2004. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out clearer division of responsibilities at the board level and the management team to ensure a proper segregation of the management of the Board and the management of the Group's business.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

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

Senior notes

During the year, the Group has in the open market repurchased an aggregate principal amount of US$500,000 13% senior notes due 2023 which are listed and traded on the Singapore Exchange Securities Trading Limited.

Save as the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIVIDENDS

No dividend for the year ended 31 December 2022 has been proposed by the Board of the Company.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The Company's annual results for the year ended 31 December 2022 has been reviewed by the audit committee of the Company (the "**Audit Committee**"). 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 and the management have been working closely with the joint provisional liquidators and its advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. The Audit Committee has reviewed and agreed with the Board's position after discussion with the independent auditor.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated balance sheet, 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 independent auditor, Moore Stephens CPA Limited ("**Moore**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore 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 Moore on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Group:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters 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 Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

<u>Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements</u>

As disclosed in Note 2.1(c) to the consolidated financial statements, the Group incurred a net loss of approximately RMB3,594,689,000 and had negative operating cash flows of approximately RMB2,469,316,000 during the year ended 31 December 2022. In addition, the Group's cash and cash equivalents was amounted to approximately RMB83,644,000 whilst the Group's banks and other borrowings of approximately RMB6,746,359,000 were classified as current liabilities, including those banks and other borrowings of approximately RMB4,007,942,000 which were reclassified from non-current liabilities due to breach of covenants up to 31 December 2022.

In addition, as disclosed in Notes 2.1 and 27(a),(f) to the consolidated financial statements, certain of the Group's loans payable have not been settled as of the date of approval of these consolidated financial statements. In the opinion of the directors of the Company, in order to protect the fair and reasonable interests of all the Company's creditors, the Company explored various options to restructure the Company's debts and applied for a winding up petition to the Bermuda Court during the year. In addition, one of the creditors filed a winding up petition to the High Court of the Hong Kong Special Administrative Region in relation to the alleged non-repayment by the Company of the senior notes. Up to the date of approval of the consolidated financial statements, the Group is still negotiating with the creditors for a proposed debt restructuring plan.

The above situations indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in note 2.1 to the consolidated financial statements, in view of the above circumstances, the directors have prepared a cash flow forecast of the Group which takes into account certain plans and measures. The validity of the going concern assumption is dependent on the successful and favourable outcomes of these plans and measures being undertaken by the management of the Company, which are subject to uncertainties including.(i) successful negotiation with relevant creditors and the execution of proposed debt restructuring plan; (ii) successful negotiation with banks for the waiver of cross default clause; (iii) successful identification and negotiation of potential investors to invest in various projects undertaken by the Group; (iv) successful disposal of certain commercial properties and timely collection of sales proceeds; (v) successful implementation of the measures to accelerate the pre-sales and sales of properties under development and properties held for sales and timely collection of the relevant sales proceeds and control the administrative costs and capital expenditures; and (vi) successful obtaining and other alternative financing. 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.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company and the development of the events, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying 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. The effect of these adjustments has not been reflected in these consolidated financial statements.

AUDITOR

PricewaterhouseCooper ("**PwC**") has resigned as auditor of the Company with effect from 19 September 2022. The Board has appointed Moore as new auditor of the Company to fill the vacancy following PwC's resignation and to hold office until the conclusion of the next annual general meeting.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore as auditor of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.skyfame.com.cn) and the Stock Exchange (https://www.hkexnews.hk). The annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Skyfame Realty (Holdings) Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
YU Pan
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. YU Pan (Chairman), Mr. WANG Chenghua and Mr. JIN Zhifeng; one non-executive Director, namely Ms. WANG Kailing; and three independent non-executive Directors, namely Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu.