Zhenro Properties Group Limited
正榮地產集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6158 and Debt Stock Code: 4596, 40572, 40516, 40375, 40715, 40116, 40225, 40250, 40047)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND (2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhenro Properties Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the preceding financial year as follows. The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**").

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

- For the year ended 31 December 2022, the Group, together with its joint ventures and associated companies, recorded contracted sales of RMB33,456.3 million.
- For the year ended 31 December 2022, the revenue of the Group was RMB25,895.5 million.
- Contract liabilities (being advanced sales proceeds) as at 31 December 2022 were RMB76,723.2 million.
- As at 31 December 2022, the Group, together with its joint ventures and associated companies, had a land bank with aggregate GFA of 19.15 million sq.m..

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**25,895,478**	36,992,368
Cost of sales		**(24,146,144)**	(31,609,978)
Gross profit		**1,749,334**	5,382,390
Other income and gains	4	**254,149**	1,559,320
Selling and distribution expenses		**(976,217)**	(1,243,288)
Administrative expenses		**(924,754)**	(1,190,179)
Impairment losses on financial assets, net	11	**(1,838,180)**	(7,815)
Other expenses	4	**(8,920,797)**	(1,528,830)
Fair value losses on investment properties		**(410,565)**	(201,201)
Fair value losses on financial assets at fair value through profit or loss		**(148,721)**	(69,468)
Finance costs	6	**(1,370,339)**	(645,115)
Share of profits and losses of:			
Joint ventures		**(29,861)**	7,419
Associates		**(225,558)**	263,204
(LOSS)/PROFIT BEFORE TAX	5	**(12,841,509)**	2,326,437
Income tax expense	7	**(1,775,714)**	(1,130,924)
(LOSS)/PROFIT FOR THE YEAR		**(14,617,223)**	1,195,513
Attributable to:			
Owners of the parent		**(12,877,046)**	809,005
Holders of perpetual capital securities		**7,750**	122,808
Non-controlling interests		**(1,747,927)**	263,700
		(14,617,223)	1,195,513
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB(2.95) yuan**	RMB0.19 yuan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(14,617,223)**	1,195,513
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,329,722)**	98,086
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(1,329,722)**	98,086
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(15,946,945)**	1,293,599
Attributable to:		
Owners of the parent	**(14,206,768)**	907,091
Holders of perpetual capital securities	**7,750**	122,808
Non-controlling interests	**(1,747,927)**	263,700
	(15,946,945)	1,293,599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,269,775**	1,256,586
Investment properties		**8,627,400**	9,862,000
Right-of-use assets		**278,535**	366,147
Other intangible assets		**48**	4,029
Investments in joint ventures		**2,207,870**	2,253,731
Investments in associates		**7,598,662**	10,842,477
Deferred tax assets		**971,749**	2,445,635
Total non-current assets		**20,954,039**	27,030,605
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**282,473**	652,254
Properties under development		**113,364,362**	131,073,246
Completed properties held for sale		**9,904,155**	11,554,582
Trade receivables	*10*	**747,858**	768,412
Due from related companies		**11,528,983**	13,233,656
Prepayments, other receivables and other assets	*11*	**26,333,040**	28,462,160
Tax recoverable		**2,101,667**	1,946,202
Restricted cash and pledged deposits		**5,979,604**	24,393,357
Cash and cash equivalents		**3,270,111**	14,727,132
Total current assets		**173,512,253**	226,811,001
CURRENT LIABILITIES			
Trade and bills payables	*12*	**15,604,977**	20,379,909
Other payables and accruals	*13*	**11,589,405**	13,491,751
Contract liabilities		**76,723,225**	90,987,118
Due to related companies		**6,129,358**	7,167,094
Interest-bearing bank and other borrowings		**25,701,080**	25,865,230
Senior notes		**23,859,544**	6,493,906
Corporate bonds		**4,695,387**	2,070,623
Perpetual capital securities		**1,311,845**	–
Tax payable	*7*	**4,708,084**	5,030,496
Lease liabilities		**29,290**	47,438
Total current liabilities		**170,352,195**	171,533,565
NET CURRENT ASSETS		**3,160,058**	55,277,436
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,114,097**	82,308,041

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**5,182,517**	22,094,299
Other payables and accruals	*13*	**942,383**	907,110
Corporate bonds		**–**	2,368,227
Senior notes		**–**	15,246,258
Deferred tax liabilities		**496,707**	681,527
Lease liabilities		**12,833**	68,109
Total non-current liabilities		**6,634,440**	41,365,530
Net assets		**17,479,657**	40,942,511
EQUITY			
Equity attributable to owners of the parent			
Share capital		**282**	282
Reserves		**4,758,652**	19,353,914
		4,758,934	19,354,196
Perpetual capital securities		**–**	1,401,587
Non-controlling interests		**12,720,723**	20,186,728
Total equity		**17,479,657**	40,942,511

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2014. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018. The registered office of the Company is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development and property leasing.

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is RoYue Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include International Accounting Standards ("IASs") and interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group recorded a net loss of RMB14,617,223,000 for the year ended 31 December 2022. As at 31 December 2022, (i) the Group's total bank and other borrowings, senior notes, corporate bonds, perpetual capital securities and asset-backed securities amounted to RMB62,988,159,000, out of which RMB56,863,259,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB3,270,111,000; (ii) the Group had not repaid an aggregate amount of principal and interest of RMB455,572,000 for certain senior notes and an aggregate amount of interest of RMB1,520,715,000 for certain senior notes according to their scheduled repayment dates, triggering events of default for certain senior notes amounting to RMB23,410,386,000; (iii) an aggregate amount of principal of RMB5,850,641,000 for interest-bearing bank and other borrowings had not been repaid according to their scheduled repayment dates, triggering certain long term interest-bearing bank and other borrowings amounting to RMB7,347,230,000 becoming repayable on demand; (iv) the Group failed to repay the principal and interest amounting to RMB1,123,101,000 for a corporate bond due in November 2022; (v) the Group had not settled the interest of perpetual capital securities amounting to RMB68,369,000, triggering an event of default for perpetual capital securities amounted to RMB1,311,845,000.

The above conditions indicate the existence of a material uncertainty which cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

(a) The Group has appointed financial advisers to assist it with a holistic restructuring of its offshore indebtedness, in order to achieve a more stable capital structure, resolve its liquidity issue and stabilize the Group's operations, taking into account the interest of all its stakeholders;

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

(b) The Group has been actively negotiating with several banks and financial institutions on the extension for repayments of certain borrowings. The Group may be able to extend the payment schedule for certain interest-bearing bank and other borrowings. Nevertheless, the confirmation of such extension is subject to the final approval from the banks;

(c) The Group has been actively negotiating with several financial institutions to obtain new loans at a reasonable cost for ensuring delivery of its property projects under development;

(d) The Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures. As at 31 December 2022, the Group has been applying for not more than RMB3,000,000,000 quota for bonds guaranteed by China Bond Issuance Co., Ltd., and is striving to enter into strategic cooperation agreements with banks in order to obtain comprehensive real estate credit support;

(e) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties;

(f) The Group has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(g) The Group will continue to seek suitable opportunities to dispose its equity interests in certain project development companies in order to generate additional cash inflows.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(a) successfully completing the holistic restructuring of its offshore indebtedness;

(b) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings;

(c) successfully securing project development loans for qualified project development in a timely manner;

(d) successfully obtaining of additional new sources of financing as and when needed;

(e) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties;

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

(f) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(g) successfully disposing of the Group's equity interests in certain project development companies when suitable.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, 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.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have any material impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceed 10% of the Group's consolidated revenue, net profit or total assets, respectively. As the economic characteristics are similar in all the locations, where the nature of property development and leasing and management are similar, and the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services are also similar, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year (2021: Nil).

4. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue		
Revenue from contracts with customers	**25,805,465**	36,881,267
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**90,013**	111,101
	25,895,478	36,992,368

4. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES (Continued)

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Sale of properties	**25,707,613**	36,518,764
Sale of goods	**12,287**	127,790
Property management services	**–**	67,666
Management consulting services	**85,565**	167,047
Total revenue from contracts with customers	**25,805,465**	36,881,267
Timing of revenue recognition:		
Properties or goods transferred at a point in time	**25,719,900**	36,646,554
Services transferred over time	**85,565**	234,713
Total revenue from contracts with customers	**25,805,465**	36,881,267

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the year:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**22,646,250**	26,338,483

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

Sale of goods

Revenue from sales of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Payment of the transaction price is due immediately at the point the customer has accepted the materials.

4. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES (Continued)

Revenue from contracts with customers (Continued)

(ii) ***Performance obligations (Continued)***

Property management services

For property management service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the property management service contracts do not have a fixed term.

Management consulting services

For management consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The majority of the management consulting service contracts do not have a fixed term. The term of the contracts for pre-delivery and consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

An analysis of other income and gains is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Other income		
Interest income	**128,349**	520,683
Others	**3,521**	6,028
	131,870	526,711
Gains		
Foreign exchange differences, net	**–**	41,648
Government grants	**15,576**	17,416
Forfeiture of deposits	**13,376**	18,629
Gain on disposal of subsidiaries	**–**	875,616
Gain on bargain purchase	**–**	25,622
Dividend income from financial assets at fair value through profit or loss	**–**	11,531
Gain on disposal of financial assets at fair value through profit or loss	**10,155**	25,785
Remeasurement gain on investments in joint ventures and associates held before business combination	**–**	15,040
Gain on repurchase of senior notes	**47,375**	–
Gain on disposal of joint ventures and associates	**33,108**	–
Gain on disposal of items of property, plant and equipment	**2,689**	1,322
	122,279	1,032,609
	254,149	1,559,320

4. REVENUE, OTHER INCOME AND GAINS, OTHER EXPENSES (Continued)

Revenue from contracts with customers (Continued)

(ii) *Performance obligations (Continued)*

Management consulting services (Continued)

An analysis of other expenses is as follows:

	2022	2021
	RMB'000	*RMB'000*
Impairment losses recognised for properties under development and completed properties held for sale	**8,395,500**	1,169,487
Foreign exchange differences, net	**432,523**	–
Losses on disposal of subsidiaries	**64,253**	–
Donations	**4,200**	76,852
Losses on disposal of financial assets at fair value through profit or loss	**1,295**	57,148
Losses on disposal of items of property, plant and equipment	**270**	616
Impairment losses written off for completed properties held for sale	**–**	(8,516)
Losses on senior notes redemption at premium price	**–**	184,631
Others	**22,756**	48,612
	8,920,797	1,528,830

5. (LOSS)/PROFIT BEFORE TAX

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

		2022	2021
		RMB'000	*RMB'000*
Cost of properties sold		**24,114,013**	31,404,183
Impairment losses written off for completed properties held for sale	*4*	**–**	(8,516)
Impairment losses recognised for properties under development and completed properties held for sale	*4*	**8,395,500**	1,169,487
Depreciation of items of property, plant and equipment		**34,511**	63,647
Depreciation of right-of-use assets		**40,104**	48,819
Amortisation of other intangible assets		**144**	2,909
(Gain)/loss on disposal of financial assets at fair value through profit or loss, net	*4*	**(8,860)**	31,363
Gain on disposal of items of property, plant and equipment, net	*4*	**(2,419)**	(706)
Losses/(gains) on disposal of subsidiaries, net		**64,253**	(875,616)
Auditors' remuneration		**11,300**	9,500
Impairment losses on financial assets, net	*11*	**1,838,180**	7,815
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**481,654**	578,490
Pension scheme contributions and social welfare		**80,272**	95,100

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	**4,721,068**	5,741,445
Interest expense arising from revenue contracts	**870,135**	651,383
Interest on lease liabilities	**3,631**	6,027
Total interest expense on financial liabilities not at fair value through profit or loss	**5,594,834**	6,398,855
Less: Interest capitalised	**(4,224,495)**	(5,753,740)
	1,370,339	645,115

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2022.

Subsidiaries of the Group operating in Mainland China were subject to PRC CIT at a rate of 25% for the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC CIT	**526,293**	1,423,553
PRC LAT	**104,647**	409,289
Deferred tax	**1,144,774**	(701,918)
Total tax charge for the year	**1,775,714**	1,130,924

7. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(12,841,509)**	2,326,437
At the statutory income tax rate	**(3,210,377)**	581,609
Profits and losses attributable to joint ventures and associates	**63,855**	(67,656)
Expenses not deductible for tax	**17,568**	22,688
Tax losses and deductible temporary differences utilised from previous years	**(21,376)**	(170,584)
Deductible temporary differences not recognised	**3,386,723**	347,493
Tax losses not recognised	**1,460,836**	110,407
Provision for LAT	**104,647**	409,289
Tax effect on LAT	**(26,162)**	(102,322)
Tax charge at the Group's effective rate	**1,775,714**	1,130,924

The share of tax charge attributable to joint ventures and associates amounted to RMB102,487,000 for the year (2021: RMB792,096,000). The share of tax credit attributable to joint ventures and associates amounting to RMB187,627,000 for the year (2021: RMB701,888,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	2022	2021
	RMB'000	*RMB'000*
PRC CIT payable	**3,241,816**	3,312,932
PRC LAT payable	**1,466,268**	1,717,564
Total tax payable	**4,708,084**	5,030,496

8. DIVIDENDS

The board of directors does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

The proposed 2020 final dividend of HK$0.15 per ordinary share, amounting to a total of approximately RMB551,261,000 was approved by the Group's shareholders at the annual general meeting on 18 June 2021. The above-mentioned declared dividend was paid before 31 December 2021.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,367,756,000 (2021: 4,367,756,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of the basic and diluted earnings per share amounts are based on:

	2022	2021
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent (RMB'000)	**(12,877,046)**	809,005
Shares		
Weighted average number of ordinary shares in issue during the year	**4,367,756,000**	4,367,756,000
(Loss)/earnings per share		
Basic and diluted	**RMB(2.95)**	RMB0.19

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**747,858**	768,412
Impairment	**–**	–
	747,858	768,412

Trade receivables mainly represent rentals receivable from tenants, sales of properties and sales of goods. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. Included in the Group's trade receivables of sales of properties are mainly due from state-owned enterprises and government departments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**291,556**	734,234
Over 1 year	**456,302**	34,178
	747,858	768,412

10. TRADE RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to diversified customers including state-owned enterprises and government departments, for whom there was no recent history of default and high collectability.

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 1.3% (2021: 0.1%). Based on evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered to be immaterial, and therefore, there has not been a loss allowance provision.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments related to third parties' land use rights	**–**	1,181,016
Deposits	**2,704,734**	3,792,756
Prepayments for acquisition of land use rights	**–**	71,802
Other tax recoverable	**3,106,738**	3,975,233
Due from non-controlling shareholders of subsidiaries	**15,371,376**	16,692,543
Contract cost assets	**1,732,326**	1,726,034
Prepayments for construction cost	**57,603**	207,804
Proceeds from pre-sales of properties deposited in accounts of local governments and related agencies	**2,599,375**	–
Other receivables	**836,620**	832,497
	26,408,772	28,479,685
Impairment	**(75,732)**	(17,525)
	26,333,040	28,462,160

The movements in provision for impairment of other receivables and deposits are as follows:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**17,525**	9,710
Impairment losses recognised	**58,207**	7,815
Carrying amount at 31 December	**75,732**	17,525

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The Group performs impairment assessment under ECL model on other receivables and deposits, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. As at 31 December 2022, the expected credit losses were RMB75,732,000 (31 December 2021: RMB17,525,000).

12. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**14,632,614**	19,659,552
Over 1 year	**972,363**	720,357
	15,604,977	20,379,909

The trade payables are unsecured and are normally settled based on the progress of construction. As at 31 December 2022, commercial acceptance bills of approximately RMB1,364,855,000 (2021: nil) issued by the Company's subsidiaries were overdue and unpaid.

13. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Deposits related to land use rights	**–**	2,500,000
Advances from non-controlling shareholders of subsidiaries	**5,682,388**	6,111,911
Retention deposits related to construction	**1,575,390**	1,798,235
Payroll and welfare payable	**126,256**	256,171
Deposits related to sales of properties	**330,014**	476,692
Business tax and surcharges	**366,471**	396,361
Maintenance fund	**288,544**	365,131
Proceeds from asset-backed securities *(note)*	**2,237,786**	2,432,687
Interest payables	**1,881,147**	–
Others	**43,792**	61,673
	12,531,788	14,398,861
Less: Current portion	**11,589,405**	13,491,751
Non-current portion	**942,383**	907,110

Note: The balance represented proceeds received from a special purpose entity ("SPE") set up by a financial institution in Mainland China for issuance of asset-backed securities, to which the Group has collateralised certain future trade receivables for the remaining receipts from sales of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE. As at 31 December 2022, the current portion of the proceeds from asset-backed securities was RMB1,295,403,000 (2021: RMB1,525,577,000) and the non-current portion was RMB942,383,000 (2021: RMB907,110,000). During the year ended 31 December 2022, the Group successfully negotiated with creditors of asset-backed securities on the extension for repayments of principal and interest thereon. Repayments of the outstanding amount of RMB180,787,000, RMB140,465,000, RMB974,151,000 and RMB942,383,000 has been extended to 17 March 2023, 8 May 2023, 19 November 2023 and 28 April 2024, respectively. Subsequent to 31 December 2022, the Group has successfully extended the repayment of outstanding amount of RMB180,787,000 from 17 March 2023 to 1 June 2023, and waived any potential defaults with respect of the asset-backed securities.

13. OTHER PAYABLES AND ACCRUALS (Continued)

Except for the asset-backed securities and certain advances from non-controlling shareholders amounted to RMB2,237,786,000 (2021: RMB2,432,687,000) and RMB573,610,000 (2021: nil), respectively, which bear interest at fixed interest rates ranging from 6% to 13% per annum (2021: 6% to 6.6%), other payables and remaining advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present to you the results and business review of the Company and its subsidiaries for the year ended 31 December 2022 and its outlook for 2023.

RESULTS

For the year ended 31 December 2022, the revenue of the Group was RMB25,895.5 million; the loss and the core loss*(Note)* (representing the net loss excluding impacts from changes in fair values of investment properties and financial assets, exchange gain or loss, gains or losses on disposal of financial assets, impairment losses, gain on repurchase of senior notes and the relevant deferred taxes) was RMB14,617.2 million and RMB3,550.6 million, respectively; and the loss attributable to owners of the parent was RMB12,877.0 million. The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

(Note: The Group believes that the presentation of core profit/loss, being a non-IFRS measure, will facilitate the evaluation of financial performance of the Group by excluding potential impact of certain non-operating and non-recurring items. Such non-IFRS measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-IFRS measure should not be construed as an inference that the Group's future results will be unaffected by these items.)

MARKET AND BUSINESS REVIEW

2022 was an extraordinary year for the real estate industry in the People's Republic of China (the "**PRC**"). The real estate industry faced continuous and in-depth adjustments, compounded by the recurring novel coronavirus ("**COVID-19**") pandemic and other unexpected factors, resulting in significant difficulties and challenges for real estate enterprises. Weak overall consumption demand and declining willingness to purchase houses led to negative growth in the overall sales of real estate enterprises in 2022, placing tremendous operating and capital pressures on them.

The Group's operations and liquidity were significantly impacted by the drastic changes in the external environment. Despite such complicated backdrop and challenges, the Group was determined to forge ahead by focusing on the two major tasks of "guaranteeing completion and ensuring delivery" and delivered over 42,000 new housing units in 2022. The Group was committed to stabilizing production and operations, rebuilding market confidence and promoting a virtuous circle. To achieve this, the Group (i) overcame unfavourable factors to ensure that projects progressed in an orderly manner; (ii) insisted on the development of high-quality products to meet customer needs; and (iii) conducted a series of activities, such as "Buy with Confidence", "Constructed with Quality+ Action" and "One-Stop Housing Delivery Services", to boost customer confidence and corporate reputation. On the other hand, the Group has implemented a wide range of liquidity management and cost-saving measures to address liquidity concern, including seeking extensions and waivers regarding its financings, seeking disposal of assets, accelerating sales and cash collection, streamlining corporate structure, and reducing non-core business operations and administrative expenses. In the second half of 2022, the Company commenced the preparatory work for holistic management solutions for its offshore indebtedness (the "**Offshore Holistic Liability Management Solutions**") with a view to reaching a viable consensual solution for the benefit of its stakeholders.

OUTLOOK

Looking ahead to 2023, the Group remains committed to stability, dedicates itself to "ensuring delivery, improving quality, and preserving value", and will make every effort to ensure that its operations are conducted in an orderly manner in order to achieve sustainable development. As the impact of the COVID-19 pandemic gradually diminishes and real estate support policies begin to take effect, it is expected that the real estate market will stabilize and gradually recover. The Group will seize the opportunity of the gradual recovery of the economy and the real estate market by improving marketing efforts and accelerating project sales to improve asset value recovery.

The Group will uphold the operating principles of "safety, health, and sustainability", strengthen financial risk management, optimize asset structure and strictly control operating costs to ensure the Group's financial stability. Additionally, the Group will continue to improve product and service quality to meet the housing needs of its customers. The Group will also enhance its internal management system and build an efficient team to establish a solid talent foundation for the Group's sustainable development.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support, and all employees for their dedication and hard work. The Company will continue to uphold our core value of "prosperity from integrity" and achieve stable and sustainable development while bringing value to shareholders, investors and other stakeholders of the Company.

Zhenro Properties Group Limited
LIU Weiliang
Chairman of the Board

Shanghai, PRC

31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted Sales

For the year ended 31 December 2022, the Group, together with its joint ventures and associated companies, recorded contracted sales of RMB33,456.3 million, representing a 77.0% year-over-year decrease from 2021; total contracted gross floor area ("**GFA**") sold amounted to approximately 2.1 million sq.m., representing a 75.8% year-over-year decrease from 2021. Contracted average selling price ("**ASP**") for the year ended 31 December 2022 was RMB15,718 per sq.m., whilst that for the year ended 31 December 2021 was RMB16,545 per sq.m.. The following table sets forth the geographic breakdown of the contracted sales of the Group, together with its joint ventures and associated companies, in 2022.

	Contracted GFA Sold	Contracted Sales	Contracted ASP	% of Contracted Sales
	sq.m.	*RMB' 000*	*RMB/sq.m.*	*%*
Yangtze River Delta Region	915,048	16,579,980	18,119	49.6
Western Taiwan Straits Region	559,622	7,982,458	14,264	23.9
Bohai Rim Region	229,952	3,426,022	14,899	10.2
Central China Region	179,443	1,920,418	10,702	5.7
Western China Region	108,092	1,392,432	12,882	4.2
Pearl River Delta Region	136,425	2,155,011	15,796	6.4
Total	2,128,582	33,456,321	15,718	100.0

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties decreased by 29.6% from RMB36,518.8 million for the year ended 31 December 2021 to RMB25,707.6 million for the year ended 31 December 2022, primarily due to the decrease in GFA being delivered and the decline in sales of completed properties. The Group's recognized ASP from sales of properties for the year ended 31 December 2022 was RMB12,183 per sq.m., representing a 4.9% increase from RMB11,614 per sq.m. for the year ended 31 December 2021, primarily due to the increase in the proportion of properties with higher selling price being delivered in 2022.

During the year of 2022, the properties delivered by the Group included Quanzhou Zhenro Baojia Riverside Mansion, Zhangzhou Xihu Zhenro Mansion, Chongqing Yuexi Zhenro Mansion, Nanjing Zhenro River Mansion, Suzhou Midea Zhenro Spring Courtyard and others. The following table sets forth the geographic breakdown of the revenue recognized from sales of properties of the Group for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sales of Properties		Total GFA Delivered		Recognized ASP	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	**%**	%	***sq.m.***	*sq.m.*	***RMB/Sq.m.***	*RMB/Sq.m.*
Yangtze River Delta Region	**14,328,391**	11,011,393	**55.8**	30.2	**896,002**	834,997	**15,991**	13,187
Western Taiwan Straits Region	**9,281,489**	16,889,638	**36.1**	46.3	**1,009,997**	1,534,664	**9,190**	11,005
Bohai Rim Region	**1,763**	742,632	**0.0**	2.0	**930**	79,891	**1,897**	9,296
Central China Region	**233,879**	5,776,197	**0.9**	15.8	**33,283**	557,075	**7,027**	10,369
Western China Region	**1,057,251**	226,524	**4.1**	0.6	**103,740**	17,169	**10,191**	13,194
Pearl River Delta Region	**804,840**	1,872,380	**3.1**	5.1	**66,254**	120,600	**12,148**	15,526
Total	**25,707,613**	36,518,764	**100.0**	100.0	**2,110,206**	3,144,396	**12,183**	11,614

Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As at 31 December 2022, the Group had completed properties held for sale of RMB9,904.2 million, representing a 14.3% decrease from RMB11,554.6 million as at 31 December 2021. The decrease was primarily due to the decrease in GFA completed by the Group and provision of impairment was made as a result of a decline in the overall housing demand and lower selling prices of the Group's projects in 2022. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

Properties Under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalized interests and other costs directly attributable to such properties incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2022, the Group had properties under development of RMB113,364.4 million, representing a 13.5% decrease from RMB131,073.2 million as at 31 December 2021. The decrease was primarily due to a decrease in the number of projects developed by the Group and provision of impairment was made as a result of a decline in the overall housing demand and lower selling prices of the Group's projects in 2022.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the year ended 31 December 2022 was RMB90.0 million, representing a 19.0% decrease from RMB111.1 million for the year ended 31 December 2021. Rental income fell due to lower rental prices as impacted by COVID-19 pandemic in 2022.

Investment Properties

As at 31 December 2022, the Group had 11 investment properties with a total GFA of 684,476 sq.m. Out of the investment properties portfolio of the Group, 8 investment properties with a total GFA of 429,429 sq.m. had commenced leasing.

LAND BANK

In 2022, the Group did not replenish any land parcel. As at 31 December 2022, the Group, together with its joint ventures and associated companies, had a land bank with aggregate GFA of 19.15 million sq.m..

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 30.0% from RMB36,992.4 million for the year ended 31 December 2021 to RMB25,895.5 million for the year ended 31 December 2022, which was primarily attributable to the decrease in GFA being delivered. The following table sets forth the Group's revenue for each of the components, the percentage of total revenue represented and the relevant changes for the years indicated.

	2022		2021		
	Revenue	**% of Total Revenue**	Revenue	% of Total Revenue	Year-over-Year Change
	RMB'000	**%**	*RMB'000*	%	%
Sales of properties	**25,707,613**	**99.3**	36,518,764	98.7	(29.6)
Property lease	**90,013**	**0.3**	111,101	0.3	(19.0)
Property management services	**–**	**–**	67,666	0.2	N/A
Management consulting services(1)	**85,565**	**0.3**	167,047	0.5	(48.8)
Sales of goods	**12,287**	**0.1**	127,790	0.3	(90.4)
Total	**25,895,478**	**100.0**	36,992,368	100.0	(30.0)

Note:

(1) Primarily includes revenue generated from provision of design consultation services to joint ventures, associated companies and third parties.

Cost of Sales

The Group's cost of sales primarily represents the costs directly incurred for the property development activities as well as leasing operations and management consulting services. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales decreased by 23.6% from RMB31,610.0 million for the year ended 31 December 2021 to RMB24,146.1 million for the year ended 31 December 2022, primarily due to the decrease in GFA being delivered by the Group during the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by 67.5% from RMB5,382.4 million for the year ended 31 December 2021 to RMB1,749.3 million for the year ended 31 December 2022. Gross profit margin for the year ended 31 December 2022 decreased by 7.8 percentage points to 6.8% from 14.6% for the year ended 31 December 2021.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation, gain on disposal of subsidiaries and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently enter into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains decreased by 83.7% from RMB1,559.3 million for the year ended 31 December 2021 to RMB254.1 million for the year ended 31 December 2022, primarily due to a decrease in the gain on disposal of subsidiaries and interest income in 2022.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff cost, office expenses, fees paid to third-party sales agents, rental and other expenses relating to sales of properties and property leasing services.

The Group's selling and distribution expenses decreased by 21.5% from RMB1,243.3 million for the year ended 31 December 2021 to RMB976.2 million for the year ended 31 December 2022, primarily due to the enhanced control over selling and distribution expenses with the overall reduction of sales and marketing campaigns by the Group in 2022.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses decreased by 22.3% from RMB1,190.2 million for the year ended 31 December 2021 to RMB924.8 million for the year ended 31 December 2022, primarily due to the fact that the Group streamlined its organizational structure and enhanced cost control over its administrative items in 2022.

Other Expenses and Impairment Losses on Financial Assets, Net

Other expenses increased by 483.5% from RMB1,528.8 million for the year ended 31 December 2021 to RMB8,920.8 million for the year ended 31 December 2022 and impairment losses on financial assets, net, increased by 23,421.2% from RMB7.8 million for the year ended 31 December 2021 to RMB1,838.2 million for the year ended 31 December 2022, primarily due to (i) the exchange loss of RMB432.5 million, compared with exchange gain of RMB41.6 million for the year ended 31 December 2021 and (ii) the impairment losses recognised for properties under development and completed properties held for sale of RMB8,395.5 million and impairment losses on receivables from related companies of RMB1,780.0 million as a result of a decline in the overall housing demand and lower selling prices of projects held by the Group, its joint ventures and associated companies.

Fair Value Losses on Investment Properties

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Under the impact of the unfavourable macro market environment and the COVID-19 pandemic, there was a decrease in the fair value of investment properties as a result of the decline in demand for commercial property. For the year ended 31 December 2022, the Group recorded fair value losses on investment properties of RMB410.6 million, as compared with fair value losses on investment properties of RMB201.2 million for the year ended 31 December 2021.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs increased by 112.4% from RMB645.1 million for the year ended 31 December 2021 to RMB1,370.3 million for the year ended 31 December 2022, primarily due to an increase of interest expense as a result of extended construction period for its projects and a lower capitalization rate for interest on borrowings in 2022.

Share of Losses of Joint Ventures and Associated Companies

The Group's share of losses of joint ventures was RMB29.9 million for the year ended 31 December 2022, compared with the share of profits of RMB7.4 million for the year ended 31 December 2021, primarily due to the decrease in the number of properties delivered by and the decline in profit margin for joint ventures.

The Group's share of losses of associated companies was RMB225.6 million for the year ended 31 December 2022, compared with the share of profits of RMB263.2 million for the year ended 31 December 2021, primarily due to the decrease in the number of properties delivered by and the decline in profit margin for associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and land appreciation tax ("**LAT**") payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses increased by 57.0% from RMB1,130.9 million for the year ended 31 December 2021 to RMB1,775.7 million for the year ended 31 December 2022, primarily as a result of increase in deferred tax being charged to consolidated statement of profit or loss for the year ended 31 December 2022.

Loss for the Year

As a result of the foregoing, the Group's loss for the year ended 31 December 2022 was RMB14,617.2 million, compared with a profit of RMB1,195.5 million for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group has met, and expects to continue meeting, its operating capital, capital expenditure and other capital needs with proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group's need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new financings. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term borrowings.

Cash Positions

As at 31 December 2022, the Group had cash and bank balances of RMB9,249.7 million (31 December 2021: RMB39,120.5 million), which included cash and cash equivalents of RMB3,270.1 million (31 December 2021: RMB14,727.1 million), pledged deposits of RMB86.9 million (31 December 2021: RMB8,132.4 million) and restricted cash of RMB5,892.8 million (31 December 2021: RMB16,261.0 million).

Indebtedness

As at 31 December 2022, the Group had total outstanding bank and other borrowings of RMB30,883.6 million (31 December 2021: RMB47,959.5 million), corporate bond with carrying amounts of RMB4,695.4 million (31 December 2021: RMB4,438.9 million), senior notes with carrying amounts of RMB23,859.5 million (31 December 2021: RMB21,740.2 million) and senior perpetual capital securities (the "**PCS**") with carrying amounts of RMB1,311.8 million (31 December 2021: Nil). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars.

The following table sets forth the Group's total borrowings as at the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current borrowings:		
Bank borrowings – secured	**126,303**	434,240
Bank borrowings – unsecured	**379,536**	478,727
Other borrowings – secured	**2,715,432**	6,869,986
Other borrowings – unsecured	**109,696**	63,757
Plus: current portion of non-current borrowings		
Bank borrowings – secured	**16,448,535**	13,197,495
Bank borrowings – unsecured	**1,675,221**	3,389,358
Other borrowings – secured	**4,246,357**	1,431,667
Other borrowings – unsecured	**–**	–
Senior notes and Corporate bonds	**28,554,931**	8,564,529
PCS *(Note)*	**1,311,845**	–
Total current borrowings	**55,567,856**	34,429,759
Non-current borrowings:		
Bank borrowings – secured	**4,587,247**	18,573,989
Bank borrowings – unsecured	**–**	980,310
Other borrowings – secured	**595,270**	2,540,000
Other borrowings – unsecured	**–**	–
Senior notes and Corporate bonds	**–**	17,614,485
Total non-current borrowings	**5,182,517**	39,708,784
Total	**60,750,373**	74,138,543

Note: On 4 January 2022, the Company announced its exercise of option under the PCS to redeem the PCS in full. As at 31 December 2022 and up to the date of this announcement, the redemption had not taken place. Please refer to the section headed "Consent Solicitation relating to PCS" below for further details.

The following table sets forth the maturity profiles of the Group's total borrowings as at the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Repayable within one year or on demand	**55,567,856**	34,429,759
Repayable in the second year	**1,486,947**	18,666,919
Repayable within three to five years	**3,589,570**	20,349,285
Repayable more than five years	**106,000**	692,580
Total	**60,750,373**	74,138,543

Borrowing Costs

The Group's weighted average financing cost of debt was 7.1% for the year ended 31 December 2022, compared with 6.8% for the year ended 31 December 2021. The increase was primarily due to the increase in the proportion of debt which bears higher borrowing costs.

Charge on Assets

As at 31 December 2022, the Group's asset portfolio which included property, plant and equipment with carrying value of RMB1,038.2 million (31 December 2021: RMB959.6 million), right-of-use assets with carrying value of RMB174.6 million (31 December 2021: RMB183.5 million), investment properties with carrying value of approximately RMB6,156.8 million (31 December 2021: RMB6,317.7 million), properties under development with carrying value of RMB56,708.1 million (31 December 2021: RMB66,855.6 million) and completed properties held for sale with carrying value of RMB1,579.9 million (31 December 2021: RMB1,898.1 million) were pledged as security for the Group's secured borrowings. As at 31 December 2022, no financial assets at fair value through profit or loss with carrying value (31 December 2021: RMB168.6 million) were pledged as security for the Group's secured borrowings.

FINANCIAL RISKS

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value. The Group is also exposed to interest rate risk for changes in market interest rates would have impact on the Group's bank and other borrowings. The Group currently does not use derivative financial instruments to hedge interest rate risk.

In 2022, the property sector in the PRC has continued to experience volatility. Pre-sale of properties by Chinese property developers has generally decreased and financing has become increasingly difficult, which have adversely impacted the Group's ability to obtain financing from the capital markets and other sources, and significantly curtailed the funding available to the Group to address its upcoming debt maturities. The Group has implemented a wide range of liquidity management and cost saving measures including without limitation, seeking extensions and waivers regarding its financings, seeking disposal of assets, accelerating sales and cash collection, streamlining corporate structure, as well as reducing non-core business operations and administrative expenses so long as such measures do not affect the Group's delivery efforts and normal operations. The Company has already commenced the preparatory work for the Offshore Holistic Liability Management Solutions.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.0 as at 31 December 2022 (31 December 2021: 1.3). The Group's net gearing ratio (defined as total borrowings less cash and bank balances divided by total equity as at 31 December 2022) was 294.6% as at 31 December 2022 (31 December 2021: 85.5%).

CONTINGENT LIABILITIES

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As at 31 December 2022, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were RMB40,128.8 million (31 December 2021: RMB34,711.3 million).

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the financial condition and results of operations of the Group.

Other Financial Guarantees

As at 31 December 2022, the guarantees given to banks and other institutions in connection with borrowings made to the related companies and third parties by the Group were RMB4,464.4 million (31 December 2021: RMB12,981.9 million).

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group considers that as at the date of this announcement, no liabilities resulting from these proceedings will have a material adverse effect on business, financial condition or results of operations of the Group.

Commitments

As at 31 December 2022, the Group's capital commitment it had contracted but yet provided for was RMB23,072.1 million (31 December 2021: RMB35,880.8 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above and the matters disclosed in the consolidated financial statements and the notes thereto, as at 31 December 2022, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

CONSENT SOLICITATION RELATING TO PCS

References are made to the announcements of the Company dated 4 January 2022, 18 February 2022, 21 February 2022, 4 March 2022, 7 March 2022, 13 March 2022, 16 March 2022 and 29 March 2022.

On 4 January 2022, the Company made an announcement in relation to the Company's exercise of its option pursuant to the Terms and Conditions of the PCS to redeem the PCS in full on 5 March 2022. However, since then, against the backdrop of the adverse market conditions, the Company's internal funds available for debt services became increasingly limited and it was expected that its then existing internal resources might be insufficient to address its debt maturities in March 2022, including the redemption of the PCS in full on 5 March 2022. Therefore, the Company solicited consents from beneficial owners of the PCS to certain proposed waiver and amendments in respect of the PCS pursuant to the consent solicitation as described in the consent solicitation memorandum, in order to improve the Company's overall financial condition and give it financial stability. The extraordinary resolution relating to the proposed waiver and amendments was passed at the PCS holders' meeting that was held on 28 March 2022. On 29 March 2022, the Company executed the supplemental trust deed to give effect to the revised proposed amendments.

For further details relating to the PCS, please also refer to the sections headed "Non-payment of Principal, Interest and/or Distribution of Certain Senior Notes and PCS" and "Subsequent Events" below.

EXCHANGE OFFER AND CONSENT SOLICITATION RELATING TO SENIOR NOTES

References are made to the announcements of the Company dated 21 February 2022, 4 March 2022, 13 March 2022, 14 March 2022, 21 March 2022, 29 March 2022 and 30 March 2022.

On 21 February 2022, the Company conducted the exchange offer (the "**Exchange Offer**") and consent solicitation (the "**Consent Solicitation**") with respect to certain senior notes (the "**Exchange Notes**") held by non-U.S. persons outside the United States. The purpose of the Exchange Offer was to extend the Company's debt maturity profile, strengthen its balance sheet and improve cash flow management. The purpose of the Consent Solicitation was to eliminate substantially all of the restrictive covenants and to modify certain of the events of default, the definition of change of control and other provisions in the exchange notes indentures (the "**Exchange Notes Indentures**") and to waive any potential breaches that may arise as a result of the events described in the exchange offer and consent solicitation memorandum.

The Company received requisite consents for the consent solicitations under the Exchange Offer and Consent Solicitation. As such, the proposed waivers as set forth in the exchange offer and consent solicitation memorandum had become effective. The supplemental indentures to each of the Exchange Notes Indentures were executed on 14 March 2022, by and among the Company, certain of the Company's offshore subsidiary guarantors (if applicable) and the respective trustee of the corresponding Exchange Notes Indentures, giving effect to the proposed amendments in compliance with the conditions contained in each of the Exchange Notes Indentures.

With respect to the Exchange Notes submitted for exchange, eligible holders of the Exchange Notes validly accepted and exchanged in the Exchange Offer and Consent Solicitation received the applicable exchange and consent consideration on 29 March 2022. At the same time, the Company issued US$728,623,000 in aggregate principal amount of 8.0% senior notes due 2023 (the "**New USD Notes**") and RMB1,589,980,000 in aggregate principal amount of 8.0% senior notes due 2023 (the "**New RMB Notes**").

For further details relating to the New USD Notes and the New RMB Notes, please also refer to the sections headed "Non-payment of Principal, Interest and/or Distribution of Certain Senior Notes and PCS" and "Subsequent Events" below.

CONCURRENT CONSENT SOLICITATION RELATING TO SENIOR NOTES

References are made to the announcements of the Company dated 21 February 2022, 7 March 2022, 13 March 2022 and 29 March 2022.

On 21 February 2022, the Company solicited consents from holders of certain senior notes (the "**Consent Notes**" and each, a "**Series of Notes**") to certain proposed amendment and waiver to consent notes indentures pursuant to the concurrent consent solicitation (the "**Concurrent Consent Solicitation**") as described in the consent solicitation statement. The purpose of the Concurrent Consent Solicitation was to waive any potential breaches that may arise as a result of the events described under the consent solicitation statement and to amend the definition of change of control and the events of default provision in the consent notes indentures (the "**Consent Notes Indentures**") to carve out any default or event of default in respect of each Series of Notes as a result of a default or event of default occurring under the conditions set forth in the consent solicitation statement.

The Company received requisite consents for the consent solicitations under the Concurrent Consent Solicitation. As such, the proposed waivers as set forth in the consent solicitation statement had become effective. The consent supplemental indentures to each of the Consent Notes Indentures were executed on 14 March 2022, by and among the Company, certain of the Company's offshore subsidiary guarantors and the trustee, giving effect to the proposed amendment in compliance with the conditions contained in each of the Consent Notes Indentures. On 29 March 2022, the Company paid the concurrent consent fee.

NON-PAYMENT OF PRINCIPAL, INTEREST AND/OR DISTRIBUTION OF CERTAIN SENIOR NOTES AND PCS

References are made to the announcements of the Company dated 10 April 2022, 31 May 2022, 30 June 2022, 3 August 2022 and 30 August 2022.

As at 31 December 2022, the Company had not made payment of the outstanding principal and/or accrued distribution and/or accrued interest that were due for the securities as set out in the following table:

Description of Debt Securities	Payment Status
7.125% Senior Notes due June 2022 (the "**2021 RMB Notes**")	Did not make payment for outstanding principal of RMB10,020,000 and accrued interest that were due
5.98% Senior Notes due April 2022 (the "**April 2021 Notes**")	Did not make payment for outstanding principal of US$23,361,000 and accrued interest that were due
8.3% Senior Notes due September 2023 (the "**June 2020 Notes**")	Did not make payment for accrued interest that were due
8.35% Senior Notes due March 2024 (the "**May 2020 Notes**")	Did not make payment for accrued interest that were due
7.875% Senior Notes due April 2024 (the "**January 2020 Notes**")	Did not make payment for accrued interest that were due
7.1% Senior Notes due September 2024 (the "**June 2021 Notes**")	Did not make payment for accrued interest that were due
7.35% Senior Notes due February 2025 (the "**September 2020 Notes**")	Did not make payment for accrued interest that were due
9.15% Senior Notes due May 2023 (the "**November 2019 Notes**")	Did not make payment for accrued interest that were due
8.7% Senior Notes due August 2022 (the "**October 2019 Notes**")	Did not make payment for outstanding principal of US$29,777,000 and accrued interest that were due
6.63% Senior Notes due January 2026 (the "**January 2021 Notes**")	Did not make payment for accrued interest that were due

Description of Debt Securities	Payment Status
6.7% Senior Notes due August 2026 (the "**February 2021 Notes**")	Did not make payment for accrued interest that were due
6.50% Senior Notes due September 2022 (the "**September 2021 Notes**")	Did not make payment for outstanding principal of US$31,239,000 and accrued interest that were due
PCS	Did not make payment for accrued distribution that were due
New USD Notes	Did not make payment for accrued interest that were due
New RMB Notes	Did not make payment for accrued interest that were due

2021 RMB Notes, April 2021 Notes, October 2019 Notes and September 2021 Notes: Failure to pay the outstanding principal at maturity, and accrued interest upon expiration of the 30-day grace period, both constituted events of default under the 2021 RMB Notes, the April 2021 Notes, the October 2019 Notes and the September 2021 Notes. However, the non-payment under the respective senior notes has not triggered, and will not trigger, any cross-default under the terms of other senior notes and PCS issued by the Company.

June 2020 Notes, May 2020 Notes, January 2020 Notes, June 2021 Notes, September 2020 Notes, November 2019 Notes, January 2021 Notes, February 2021 Notes, PCS, New USD Notes and New RMB Notes: Failure to pay the accrued distribution and/or accrued interest upon expiration of the respective grace periods constituted an event of default under the PCS and respective senior notes (as the case may be). If an event of default has occurred (such as 30-day grace period lapses) and is continuing, the trustee or holders of at least 25% in aggregate principal amount of the PCS and/or relevant senior notes then outstanding may, by written notice to the Company and to the trustee, declare the principal of, premium, if any, and accrued and unpaid distribution and/or interest on the relevant PCS and senior notes to be immediately due and payable ("**Acceleration Notice**"). As at 31 December 2022 and up to the date of this announcement, the Company has not received any Acceleration Notice as a result of the non-payment under the respective PCS and/or senior notes.

For details relating to the PCS and certain senior notes after 31 December 2022, please refer to the section headed "Subsequent Events" below.

THE OFFSHORE HOLISTIC LIABILITY MANAGEMENT SOLUTIONS

Reference is made to the announcements of the Company dated 30 August 2022, 9 November 2022, 12 December 2022, 6 March 2023 and 14 March 2023.

The Company is working diligently with its advisers to advance the preparation work for the Offshore Holistic Liability Management Solutions. As at the date of this announcement, the independent business review and liquidation analysis in relation to the Group are substantially completed, which the Company believes would facilitate its discussion with offshore creditors. In addition, the Company has developed a preliminary proposal of the Offshore Holistic Liability Management Solutions with its advisers and expects to commence discussion with offshore creditors in the near term.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Reference is made to the announcement of the Company dated 25 March 2022. On 25 March 2022, Zhengyu (Foshan) Real Estate Development Co., Ltd.* (正裕(佛山)置業發展有限公司) ("**Zhengyu**" and an indirect subsidiary of the Company), Chengdu Tongchuangjin Trading Co., Ltd* (成都同創錦商貿有限責任公司) ("**Chengdu Tongchuangjin**"), Zhenglong (Foshan) Real Estate Development Co., Ltd.* (正隆(佛山)置業發展有限公司) ("**Zhenglong**"), Zhenro (Guangzhou) Real Estate Development Co., Ltd.* (正榮(廣州)置業發展有限公司) (an indirect wholly-owned subsidiary of the Company) and Hefan (Guangzhou) Equity Investment Management Co., Ltd.* (合凡(廣州)股權投資基金管理有限公司) entered into an equity transfer agreement, pursuant to which Zhengyu has agreed to dispose of, and Chengdu Tongchuangjin has agreed to purchase, 51% of the equity interest of Zhenglong for a consideration of RMB155,623,950, which shall be paid by Chengdu Tongchuangjin to Zhengyu in cash (the "**Zhenglong Disposal**"). Completion of the Zhenglong Disposal took place in April 2022. Upon completion of the Zhenglong Disposal, the Group no longer held any interest in Zhenglong and Zhenglong ceased to be accounted as a subsidiary of the Company.

Reference is also made to the announcement of the Company dated 12 August 2022. On 12 August 2022, Zhenro Fortune (Fujian) Real Estate Co., Ltd.* (正榮財富(福建)置業有限公司) ("**Zhenro Fortune (Fujian)**") (a wholly-owned subsidiary of the Company), Quanzhou Junde Jingshui Investment (Limited Partnership)* (泉州雋德靜水投資合夥企業) ("**Quanzhou Junde Jingshui**") and Quanzhou Zhenglang Real Estate Development Co., Ltd.* (泉州正朗置業有限公司) ("**Quanzhou Zhenglang**") entered into an equity transfer agreement, pursuant to which Zhenro Fortune (Fujian) agreed to dispose of, and Quanzhou Junde Jingshui agreed to purchase, 51% of the equity interest of Quanzhou Zhenglang, and the aggregate amount outstanding and owing by Quanzhou Zhenglang to Zhenro Fortune (Fujian) as at the date of the agreement, for an aggregate consideration of RMB102,000,000, which shall be paid by Quanzhou Junde Jingshui to Zhenro Fortune (Fujian) in cash (the "**Quanzhou Zhenglang Disposal**"). Completion of the Quanzhou Zhenglang Disposal took place in September 2022. Upon completion of the Quanzhou Zhenglang Disposal, the Group no longer held any interest in Quanzhou Zhenglang and Quanzhou Zhenglang ceased to be accounted as a subsidiary of the Company.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, joint ventures and associates by the Company in 2022.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2022, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 736 employees (31 December 2021: 1,467 employees).

The Group recruits qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. The Group particularly values employees who demonstrate loyalty to their work and who value corporate culture, as well as those with relevant working experiences. The Group's future development, to a considerable extent, depends on its ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. Therefore, the Group has established systematic training programs for employees based on their positions and expertise.

The Group enters into labor contracts with all employees and offers employees competitive remuneration packages that include basic salaries, discretionary bonuses and performance-based payments. The Company has also adopted a share option scheme.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans. The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all employees in Hong Kong.

SUBSEQUENT EVENTS

Save for the following matters, no material events were undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

Change of Director, Composition of Board Committees and Authorized Representative

Reference is made to the announcement of the Company dated 20 January 2023. The following changes took effect on 20 January 2023:

(1) Mr. LIU Weiliang, an executive Director, has been re-designated from the vice chairman of the Board to the chairman of the Board, and has been appointed as the chairman of the nomination committee, a member of the remuneration committee and an authorized representative of the Company for the purpose of Rule 3.05 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); and

(2) Mr. Huang Xianzhi has resigned as the Chairman, an executive Director, the chairman of the nomination committee, a member of the remuneration committee and an authorized representative of the Company for the purpose of Rule 3.05 of the Listing Rules, due to his plan to retire.

Non-Payment of Principal, Interest and/or Distribution of Certain Senior Notes and PCS

Reference is made to the announcement of the Company dated 6 March 2023.

As at 6 March 2023 and up to the date of this announcement, the Company has not made payment of the outstanding principal and/or the accrued distribution and/or accrued interest that were due for the securities as set out in the following table:

Description of Debt Securities	Payment Status
PCS	Did not make payment for outstanding principal of US$200,000,000 and accrued distribution that were due
New USD Notes	Did not make payment for outstanding principal of US$728,623,000 and accrued interest that were due
New RMB Notes	Did not make payment for outstanding principal of RMB1,589,980,000 and accrued interest that were due

PCS, New USD Notes and New RMB Notes: Failure to pay the outstanding principal on redemption date or at maturity, and failure to pay accrued distribution and/or accrued interest upon expiration of the respective grace periods, constituted events of default under the PCS, New USD Notes and New RMB Notes. If an event of default has occurred (such as 30-day grace period lapses) and is continuing, the trustee or holders of at least 25% in aggregate principal amount of the PCS or the relevant senior notes then outstanding may serve an Acceleration Notice to the Company. As at the date of this announcement, the Company has not received any Acceleration Notice as a result of the non-payment of outstanding principal, accrued distribution and/or accrued interest under the PCS, New USD Notes and New RMB Notes.

IMPACT OF COVID-19 PANDEMIC

Since late March 2022, due to the recurring COVID-19 pandemic in the PRC and related lockdown in some cities, the operations of the Group had been affected significantly, and the progress of sales and asset disposals have been delayed. To cope with the situation, the Group carried out actions to minimize the impact of the COVID-19 pandemic on its business, including implementing measures to ensure construction of projects, guaranteeing punctual supply of units and minimizing the risks associated with units delivery.

Since December 2022, the PRC government has adjusted and relaxed substantially the anti-pandemic policies and measures. The Company believes this will stimulate consumption and boost confidence in the real estate market. It is expected that impact of COVID-19 pandemic will gradually diminish and the real estate market will stabilize and recover gradually in 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

References are made to the announcements of the Company dated 5 July 2019, 7 August 2020 and 29 September 2020.

In July 2019, pursuant to a facility agreement (the “**2019 Facility Agreement**”) entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, The Bank of East Asia, Limited, Goldman Sachs (Asia) L.L.C. and BNP Paribas, acting through its Hong Kong Branch, collectively as the original lenders, for dual-currency term loan facilities in the amount of HK$234,000,000 and US$90,000,000 (totaling approximately US$120,000,000) (the “**2019 Loan Facilities**”, each a “**2019 Loan Facility**”) will be made available to the Company for a term of 36 months from the date of the 2019 Facility Agreement.

As provided in the 2019 Facility Agreement, if Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% beneficial shareholding must, at any time on or after the first date of utilisation of the 2019 Loan Facility, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company, the commitments under the 2019 Loan Facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the 2019 Loan Facilities may become immediately due and payable.

In August 2020, a facility agreement (the “**2020 Facility Agreement**”) was entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Bank of China (Hong Kong) Limited, CMB Wing Lung Bank Limited, Hang Seng Bank Limited and certain other financial institutions, collectively as lenders, for dual-currency term loan facilities in the amount of HK$273,000,000 and US$106,000,000 (totaling approximately US$141,000,000) for a term of 36 months from the date of the first utilisation of the loan facility. In September 2020, Chong Hing Bank Limited (as the lender) acceded to the 2020 Facility Agreement in accordance to the terms of the 2020 Facility Agreement (the “**Accession**”). Following the execution of the Accession, the total amount of loan facilities made available to the Company under the 2020 Facility Agreement equals to approximately US$161,000,000 (the “**2020 Loan Facilities**”, each a “**2020 Loan Facility**”).

As provided in the 2020 Facility Agreement, if (i) Mr. OU Zongrong, Mr. OU Guoqiang and Mr. OU Guowei (collectively, the “**Relevant Persons**”) collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% of the beneficial shareholding must, at all times from the date of the 2020 Facility Agreement for so long as any liability is outstanding or any commitment is in force, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of Mr. HUANG Xianzhi, Mr. LIU Weiliang (being an existing executive Director) or Mr. CHAN Wai Kin or any of the Relevant Persons, the commitments under the loan facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facilities may become immediately due and payable.

As at 31 December 2022 and as at the date of this announcement, the Company had not made payment of the outstanding principal and/or the accrued interest that were due for the 2019 Loan Facilities and the 2020 Loan Facilities, such constituted an event of default under the 2019 Loan Facilities and the 2020 Loan Facilities. In light of this, the Company has commenced the preparatory work for the Offshore Holistic Liability Management Solutions, details of which are set out in the section headed "The Offshore Holistic Liability Management Solutions" above.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF THE GROUP'S LISTED SECURITIES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the year ended 31 December 2022.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

As at 31 December 2022, there was no arrangement under which a shareholder of the Company had waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 16 June 2023. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and despatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Friday, 16 June 2023, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, 12 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties. The Board will continue to review and monitor the governance of the Company with reference to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") so as to maintain a high standard of corporate governance practices of the Company.

So far as the Directors are aware, during the year ended 31 December 2022, the Company has complied with the code provisions set out in Part 2 of Appendix 14 of the Listing Rules except for a deviation, during the period from 1 January 2022 to 12 September 2022, from code provision C.2.1, which states that the roles of the chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. During 2022, Mr. HUANG Xianzhi, a then executive Director of the Company and the then chairman of the Board, served as the chief executive officer of the Company until a suitable candidate is appointed. Notwithstanding the deviation from code provision C.2.1, the Board believed that Mr. HUANG Xianzhi's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and the vesting of the roles as the chairman and chief executive officer to Mr. HUANG would allow efficient business planning and decision, which the Board believed was in the best interest of the business development of the Group during the transitional period. With effect from 13 September 2022, Mr. LI Yang, an executive Director, has been appointed as the chief executive officer; and Mr. HUANG Xianzhi has resigned from such position. Upon such change, the Company has re-complied with code provision C.2.1 of the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, being independent non-executive Directors, and Mr. OU Guowei, the non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies and financial positions of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

During the year ended 31 December 2022, the Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budgeting of the Company's accounting and financial reporting departments) and risk management systems and processes, whistleblowing policy and the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. The Audit Committee has reviewed and discussed the annual results of the Company for the year ended 31 December 2022. The figures in respect of the Group's consolidated statement of profit or loss, 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 announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**the External Auditor**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the External Auditor 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 the External Auditor on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the External Auditor of the Company:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a net loss of RMB14,617,223,000 for the year ended 31 December 2022. As at 31 December 2022, (i) the Group's total bank and other borrowings, senior notes, corporate bonds, perpetual capital securities and asset-backed securities amounted to RMB62,988,159,000, out of which RMB56,863,259,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB3,270,111,000; (ii) the Group had not repaid an aggregate amount of principal and interest of RMB455,572,000 for certain senior notes and an aggregate amount of interest of RMB1,520,715,000 for certain senior notes according to their scheduled repayment dates, triggering events of default for certain senior notes amounting to RMB23,410,386,000; (iii) an aggregate amount of principal of RMB5,850,641,000 for interest-bearing bank and other borrowings had not been repaid according to their scheduled repayment dates, triggering certain long term interest-bearing bank and other borrowings amounted to RMB7,347,230,000 becoming repayable on demand; (iv) the Group failed to repay the principal and interest amounting to RMB1,123,101,000 for a corporate bond due in November 2022; (v) the Group had not settled the interest of perpetual capital securities amounting to RMB68,369,000, triggering an event of default for perpetual capital securities amounting to RMB1,311,845,000. These conditions, together with other matters disclosed in note 2.1 to the financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking plans and measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the holistic restructuring of its offshore indebtedness; (ii) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings; (iii) successfully securing project development loans for qualified project development timely; (iv) successfully obtaining of additional new sources of financing as and when needed; (v) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties; (vi) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and (vii) successfully and timely implementation of the plans to dispose of its equity interests in certain project development companies, and timely collection of the proceeds.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amount 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhenrodc.com). The annual report will be despatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend the existing memorandum and articles of association of the Company (the "**Existing Memorandum and Articles**") to (i) bring the Existing Memorandum and Articles in line with the latest requirements under the Listing Rules, including the amendments to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) provide flexibility to the Company in relation to the conduct and proceedings of general meetings of the Company; (iii) reflect the prevailing requirements under applicable laws of the Cayman Islands; and (iv) incorporate certain corresponding and housekeeping amendments (the "**Proposed Amendments**").

The Board proposes to effect the Proposed Amendments by way of adoption of the amended and restated memorandum and articles of association (the "**Amended and Restated Memorandum and Articles**") in substitution for, and to the exclusion of, the Existing Memorandum and Articles.

The Proposed Amendments and proposed adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the shareholders by way of a special resolution to be proposed at the forthcoming AGM. Prior to the passing of such special resolution at the AGM, the Existing Memorandum and Articles shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles, together with a notice convening the AGM will be despatched to the shareholders of the Company in due course.

By order of the Board
Zhenro Properties Group Limited
LIU Weiliang
Chairman of the Board

Shanghai, PRC, 31 March 2023

As at the date of this announcement, the executive Directors are Mr. Liu Weiliang and Mr. Li Yang, the non-executive Director is Mr. Ou Guowei, and the independent non-executive Directors are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Xie Jun.

* *For identification purpose only*