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

(Incorporated in Bermuda with limited liability)
(Stock code: 755)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**380,100**	396,621
Cost of sales	*7*	**(122,565)**	(232,643)
Gross profit		**257,535**	163,978
Other income, gains and expenses	*6*	**(46,038)**	(53,874)
Net gain on disposal of subsidiaries		**–**	4,218,588
Net reversal of impairment losses/(impairment losses) on financial assets		**441,343**	(22,175)
Provision for financial guarantees	*16*	**(174,497)**	–
Selling and marketing expenses	*7*	**(32,686)**	(49,135)
Administrative expenses	*7*	**(103,598)**	(184,791)
Change in fair value of investment properties		**(154,062)**	(303,319)
Finance costs	*8*	**(239,926)**	(975,712)
(Loss)/profit before income tax		**(51,929)**	2,793,560
Income tax credit	*9*	**78,175**	84,778
Profit for the year		**26,246**	2,878,338
Profit/(loss) for the year attributable to:			
– Owners of the Company		**89,504**	2,883,611
– Non-controlling interests		**(63,258)**	(5,273)
		26,246	2,878,338
Earnings per share			
– Basic	*11*	**HK$0.60 cents**	HK$19.38 cents
– Diluted	*11*	**HK$0.60 cents**	HK$19.38 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**565,588**	643,517
Investment properties		**2,628,284**	2,942,081
Financial assets at FVOCI	*14*	**67,215**	69,940
Amount due from an associate		**–**	–
Properties under development		**567,648**	726,619
Pledged deposits	*13*	**2,698**	582
Total non-current assets		**3,831,433**	4,382,739
Current assets			
Completed properties held-for-sale		**178,385**	195,669
Inventories		**1,328**	1,435
Trade and other receivables and prepayments	*12*	**317,569**	354,699
Deposits for properties under development		**14,314**	15,787
Amounts due from former subsidiaries		**410,683**	1,281,285
Amount due from an associate		**–**	–
Financial assets at fair value through profit or loss ("**FVPL**")	*14*	**–**	8,337
Tax prepayments		**6,547**	14,396
Pledged deposits	*13*	**7,936**	119,840
Cash and bank balances		**122,665**	151,834
Total current assets		**1,059,427**	2,143,282
Total assets		**4,890,860**	6,526,021
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,385,264**	2,337,741
Accumulated losses		**(1,560,514)**	(1,650,018)
		1,122,337	985,310
Non-controlling interests		**126,258**	203,956
Total equity		**1,248,595**	1,189,266

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**594,544**	285,615
Lease liabilities		**23,338**	42,556
Deferred income tax liabilities		**158,840**	222,819
Total non-current liabilities		**776,722**	550,990
Current liabilities			
Trade and other payables	*15*	**1,174,279**	1,143,303
Financial guarantee contracts provision	*16*	**309,866**	144,437
Amounts due to former subsidiaries		**18,664**	1,383,454
Amounts due to minority owners of subsidiaries		**107,742**	113,177
Borrowings		**1,174,251**	1,851,960
Lease liabilities		**33,238**	40,728
Tax payables		**47,503**	108,706
Total current liabilities		**2,865,543**	4,785,765
Total liabilities		**3,642,265**	5,336,755
Total equity and liabilities		**4,890,860**	6,526,021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

2.1 Going concern basis

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

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

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

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

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

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

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

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

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

(b) New and amended standards not yet adopted

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

4. SEGMENT REPORTING

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

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

4. SEGMENT REPORTING (CONTINUED)

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

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

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

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

Segment information is presented below:

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

	Sales of properties		**Hotel operations**		**Properties rental, management and agency services**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**–**	48,377	**85,645**	79,246	**296,067**	286,416	**381,712**	414,039
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(1,612)**	(17,418)	**(1,612)**	(17,418)
Reportable segment revenue from external sales *(i)*	**–**	48,377	**85,645**	79,246	**294,455**	268,998	**380.100**	396,621
Reportable segment (loss)/profit before income tax	**(212,579)**	(450,764)	**17,078**	41,675	**(132,187)**	(172,463)	**(327,688)**	(581,552)
Other information (items included in determining the reportable segment (loss)/profit):								
Interest income	**9**	6,130	**–**	793	**1,066**	7,305	**1,075**	14,228
Depreciation charge	**(125)**	(7,607)	**(5,941)**	(40,057)	**(42,067)**	(6,811)	**(48,133)**	(54,475)
Change in fair value of investment properties	**–**	–	**–**	–	**(154,062)**	(303,319)	**(154,062)**	(303,319)
(Losses)/gains on early termination of lease agreements	**–**	–	**–**	–	**(1,677)**	829	**(1,677)**	829
Rental income	**–**	3,151	**–**	–	**–**	–	**–**	3,151
(Losses)/gains on disposal of property, plant and equipment,net	**(46)**	335	**(251)**	(9)	**173**	–	**(124)**	326
Gain on disposal of investment properties	**–**	–	**–**	–	**2,109**	–	**2,109**	–
Finance costs	**–**	–	**–**	–	**(134,468)**	(166,706)	**(134,468)**	(166,706)
Reportable segment assets	**787,245**	886,888	**598,311**	685,945	**3,066,855**	3,283,157	**4,452,411**	4,855,990
Amounts included in the measure of segment assets:								
Additions to non-current assets *(ii)*	**111**	7,427	**1,320**	5,523	**5,731**	22,815	**7,162**	35,765
Reportable segment liabilities	**167,876**	1,410,100	**102,134**	57,446	**1,810,452**	1,921,564	**2,080,462**	3,389,110

4. SEGMENT REPORTING (CONTINUED)

Segment information is presented below: (Continued)

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

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

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

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

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Reportable segment loss before income tax	**(327,688)**	(581,552)
Unallocated interest income	**85,771**	268
Unallocated losses on early termination of lease agreements	**(29)**	–
Guarantee fee income	**13,228**	–
Net gain on disposal of subsidiaries	**–**	4,218,588
Net reversal of impairment losses on amounts due from former subsidiaries	**477,364**	–
Provision for financial guarantees	**(174,497)**	–
Unallocated finance costs	**(105,458)**	(809,006)
Unallocated depreciation charge	**(1,180)**	–
Unallocated head office and corporate expenses	**(19,440)**	(34,738)
(Loss)/profit before income tax	**(51,929)**	2,793,560

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

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

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

4. SEGMENT REPORTING (CONTINUED)

Segment information is presented below: (Continued)

(c) Geographical information

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

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

5. REVENUE

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

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

6. OTHER INCOME, GAINS AND EXPENSES

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

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

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

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

7. EXPENSES BY NATURE

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

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

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

8. FINANCE COSTS

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

9. INCOME TAX CREDIT

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

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

Hong Kong Profits Tax

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

EIT

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

LAT

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

10. DIVIDENDS

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

11. EARNINGS PER SHARE

Basic earnings per share

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

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

Diluted earnings per share

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

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

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

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

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

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

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

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

13. PLEDGED DEPOSITS

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

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

14. FINANCIAL ASSETS AT FAIR VALUE

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

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

Details of financial assets at fair value are as below:

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**58,458**	55,968
More than 3 months but less than 12 months	**25,476**	20,486
More than 12 months	**90,714**	91,370
	174,648	167,824
Retention money	**45,304**	51,247
	219,952	219,071

(b) Contract liabilities/receipts in advance

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

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

16. FINANCIAL GUARANTEES

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Financial guarantees issued	**309,866**	144,437

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

The Group recognised loss allowance on financial guarantee contracts of HK$174,497,000 (2022: HK$144,437,000) for the year ended 31 December 2023.

17. EVENTS AFTER THE REPORTING PERIOD

Except for the disposal of Hainan Huayi Real Estate Co., Ltd. as disclosed in Note 2.1 to the consolidated financial statements, there is no other material event occurred subsequent to 31 December 2023 and up to the date of this announcement.

CHAIRMAN'S STATEMENT

Financial Results

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

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

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

Business Review

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

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

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

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

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

Development details of each business segment are set out below:

Operations of Commercial Properties and Hotels Business

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

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

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

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

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

Property Management Service

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

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

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

Property Development Projects

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

Zendai Nantong Yicheng Thumb Plaza

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

PROSPECTS AND FUTURE PLANS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

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

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

Liquidity, Financial Resources, Capital Structure and Gearing

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

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

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

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

MITIGATION MEASURES AND UNCERTAINTIES RELATED TO GOING CONCERN

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

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

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

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

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

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

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

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

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

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

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

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

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

SEGMENT INFORMATION

Sales of properties

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

Property rental, management and agency services

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

Hotel operations

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

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

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

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

EMPLOYEES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PLEDGE OF ASSETS

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

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

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

PROVISION AND CONTINGENT LIABILITIES

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

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

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

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

LITIGATION

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

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

Save as disclosed, in note 2.1 to the consolidated financial statements, there were no material events subsequent to the Year under Review which would materially affect the Group's operating and financial performance as at the date of this announcement.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "**CG Code**") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the Year.

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee noted that the Board has undertaken or in the progress of implementing measures to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position and has discussed with the independent auditor.

SCOPE OF WORK OF PKF HONG KONG LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2023 as set out above in this preliminary announcement have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PKF Hong Kong Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

Disclaimer of opinion

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

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaiproperty.com). The 2023 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 26 March 2024

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

* *For identification purpose only*