珠光控股
ZHUGUANG HOLDINGS

Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1176

ANNUAL REPORT
2022

* *For identification purposes only*

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP (Committee Chairman)*
Mr. Wong Chi Keung
Dr. Feng Ke

REMUNERATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

NOMINATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

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Mr. Choi Kwok Keung Sanvic

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AUDITOR

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PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Agricultural Bank of China Limited
China Construction Bank (Asia) Corporation Limited
Bank of Guangzhou Co., Ltd.
China Zheshang Bank Co., Ltd.
Ping An Bank Co., Ltd.

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176

CHAIRMAN'S STATEMENT

I herein present the results and report on the operations of Zhuguang Holdings Group Company Limited ("Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2022 ("FY2022").

RESULTS

The consolidated results of the Group for FY2022 are as follows: (1) the consolidated revenue of the Group for FY2022 was approximately HK$2,838,843,000, representing a decrease of approximately 4.9% as compared with that of approximately HK$2,985,021,000 for the financial year ended 31 December 2021 ("FY2021"); (2) the consolidated gross profit of the Group decreased by approximately 13.1% from approximately HK$2,262,611,000 for FY2021 to approximately HK$1,966,695,000 for FY2022; and (3) the consolidated loss of the Group for FY2022 was approximately HK$1,021,759,000, as compared with a consolidated profit of approximately HK$109,616,000 for FY2021. The consolidated loss attributable to the equity holders of the Company for FY2022 was approximately HK$997,194,000 and the basic loss per share was HK14.74 cents, as compared with the consolidated profit attributable to the equity holders of the Company of approximately HK$71,018,000 and the basic earnings per share of HK0.29 cents for FY2021.

NET ASSET VALUE

As at 31 December 2022, the number of ordinary shares of the Company ("Shares") in issue was 7,225,632,753 Shares in aggregate and the shareholders' equity of the Group was approximately HK$7,351,518,000. The Group's consolidated net asset value per share attributable to the equity holders of the Company as at 31 December 2022 was approximately HK$1.02.

MARKET AND BUSINESS REVIEW

In 2022, the global economy continued to be unstable and challenging. As affected by multiple factors such as the recurrence of the Coronavirus Disease-2019 ("COVID" or "COVID-19") pandemic, rising interest rates and geopolitical conflicts, global economic growth slowed down significantly.

During the year under review, the China's economy was exposed to rising internal and external risks. The recurrence of the pandemic, weak consumption momentum and real estate risks posed challenges to the economic growth of the People's Republic of China ("PRC", "China" or "Mainland China"). In respect of the real estate industry in the country, regulatory policies previously introduced by the government, such as "housing is for accommodation, not for speculative trading" and "taking measures in response to local conditions" remained in force in 2022, which served to stabilise land prices, property prices and market expectations. The stability of the real estate market remained the focus of the Chinese government in its policy-making. Other government policies had been introduced in 2022 to support the steady development of the real estate sector, such as the "16-point plan", which urged financial institutions to extend loans to private real estate companies with sound corporate governance, and the "three arrows", which aimed at boosting real estate financing by expanding the three financing channels, namely, credit, bonds and equity. These policies will help further stabilise the expectations of home buyers and their confidence in the real estate market.

In 2022, being the second year under the "14th Five-Year Plan", the Chinese government continued its emphasis on the principle that housing is for accommodation, not for speculative trading, and put more efforts into the enhancement of the transformation of old communities in cities and community construction, which were in line the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), a wholly-owned subsidiary of the Company and a member of the Company's urban renewal group

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of land supply for the next three years and strengthen the characteristics and competitive edge of the Group's future development. The Group will also accelerate its efforts in cooperating with its strategic partners to jointly develop quality and mature projects so as to strengthen and consolidate its position as an urban renewal specialist.

The Group will also uphold its spirit of craftsmanship, focus on improving product quality, and proceed with details to build high quality products with high added value, high profit and distinctive characteristics for the Group, and provide buyers with properties of quality investment value.

FINANCING COSTS AND CHANNELS

As at 31 December 2022, the gearing ratio of the Group was 66% (31 December 2021: 65%). As at 31 December 2022, the cash and bank balances of the Group amounted to approximately HK$760 million (31 December 2021: HK$2,064 million) and the balance of the interest-bearing debts of the Group amounted to approximately HK$15,319 million (31 December 2021: HK$19,196 million). The weighted average cost of capital of the Group was 6.50% in FY2022 (FY2021: 6.51%).

The Company is committed to enhancing the communication with its shareholders ("Shareholders") and its dedication to investor relationship. Through various channels, such as an investor forum, an investment promotion conference and project visits, the Company has maintained smooth communication with the Shareholders and investors in an effective manner, and enabled the investors to have an in-depth understanding of the Company's development strategy and business philosophy.

OUTLOOK

Looking forward to 2023, the global economy will still face multiple challenges and instability as it will continue to be subject to the impacts of inflation and geopolitical conflicts. As policies targeting the COVID-19 pandemic were relaxed in the first quarter of 2023, the borders between Hong Kong and the Mainland China reopened. Markets in urban agglomerations, such as the Greater Bay Area, are expected to maintain a steady recovery, which will boost the market's confidence in the economic recovery in 2023.

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Chairman's Statement

Notwithstanding the anticipated post-pandemic market recovery, the real estate industry in China will still face enormous challenges in 2023 in light of the uncertainties in the global economy. "Stability" will continue to be the focus of the Chinese government in the real estate industry. Nevertheless, with the advancement of China's urbanisation, the real estate sector is expected to have considerable room for development. Various cities in China have implemented policies to relax credit conditions of home buyer loans to meet the buyers' reasonable demand for housing. The government has continued to implement multi-perspective policies favourable to the development of the real estate sector, including financial policies and regulatory policies to relax restrictions on property purchase. Based on the principle that housing is for accommodation, not for speculative trading, the government is firm in its position against using housing as a short-term means to stimulate the economy. As the urbanisation rate increases, people's quality of life will continue to improve. As people's demand for quality housing grows, quality real estate properties that meet people's living needs and improve their quality of life will be required, which will in turn raise the standard of the products to be delivered by the real estate industry. Under such development trends, the real estate industry is expected to gradually move towards and enter a new development model, under which product quality will be the key determinant influencing home buyers' decision making.

The Group's inventory for sale is still concentrated in its completed projects in Guangzhou. In the future, the Group will continue to drive up its sales in the Guangzhou area. Guangzhou will remain the key sales area of the Group in 2023, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will accelerate the implementation of its strategy of focusing on urban renewal projects to support its development and to meet its needs. As the Group will continue to acquire its land resources through urban renewal projects in the future, it will leverage on the Group's competitive edge and strengths as well as boost its urban renewal operations. The Group will also accelerate its cooperation with its strategic partners in various aspects, so as to enhance and strengthen its position in the industry as an urban renewal specialist.

The Group will continue to focus on the strategy of "Optimising the structure, Enhancing capabilities and Improving quality" and strive to overcome the challenges arising from the adjustments in China's property market.

APPRECIATION

On behalf of the Board, I would like to thank our management team and every staff member of the Group. The growth of the Group would not have been possible without their dedication and contribution. I would also like to express my appreciation to our investors, customers and business partners for their strong support and confidence in the Group. The management and staff of the Group will continue to dedicate their professional knowledge with excellent team spirit to overcome every difficulty ahead so as to achieve more outstanding results.

Chu Hing Tsung
Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, project management, and property investment and hotel operation in the PRC.

Property Development and Sales

During FY2022, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group's respective contracted sales and contracted gross floor area ("GFA") sold for FY2022 amounted to approximately HK$2,188,836,000 and approximately 68,853 square metres ("sqm"), representing an increase of approximately 33.59% and approximately 25.66%, respectively, as compared with those for FY2021. The details of the Group's contracted sales and contracted GFA sold for FY2022 are set out below:

Projects	**Contracted sales** (HK$'000)	**Contracted GFA sold** (sqm)
Zhuguang Financial Town One	1,609,538	21,579
Pearl Xincheng Yujing ("Xincheng Yujing")	209,726	26,799
Yujing Yayuan	137,973	11,582
Hua Cheng Yujing Garden	79,131	431
Central Park	70,779	454
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	26,628	1,569
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	8,937	1,025
Pearl Yunling Lake	2,611	209
Pearl Yijing	2,200	765
	2,147,523	64,413
Car parks	41,313	4,440
	2,188,836	68,853

It is expected that the following projects of the Group will be available for sale, pre-sale or leasing in 2023:

Projects	Available for sale/ pre-sale/ leasing period	GFA available for sale/lease (sqm)	Usage
Zhuguang Financial Town One	1st quarter	343,878	Pre-sale/Sale
Xincheng Yujing	1st quarter	33,311	Leasing/Sale
Yujing Yayuan	1st quarter	6,384	Sale
Hua Cheng Yujing Garden	1st quarter	2,445	Leasing/Sale
Central Park	1st quarter	3,296	Leasing/Sale
Yujing Scenic Garden	1st quarter	28,103	Sale
Tianhu Yujing	1st quarter	27,006	Leasing/Sale
Pearl Yunling Lake	1st quarter	150	Sale
Pearl Yijing	1st quarter	14,948	Sale
Project Tian Ying	1st quarter	6,772	Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Zhukong International	1st quarter	3,345	Leasing/Sale

As at 31 December 2022, the Group owned the following major property development projects, the details of which are as follows:

Zhuguang Financial Town One — 100% interest

"Zhuguang Financial Town One" is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which is near the 三溪 (Sanxi*) Station of Guangzhou Metro Line No. 5 and within the scope of the planned 廣州國際金融城 (Guangzhou International Financial Town*) in the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 391,245 sqm. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 3,688 sqm. During FY2022, contracted sales of approximately HK$1,609,538,000 with GFA of approximately 21,579 sqm were recorded with respect to "Zhuguang Financial Town One".

Xincheng Yujing — 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at 種玊上圍 (Zhong Su Shang Wei*), 陽光村 (Sunshine Village*), 湯南鎮 (Tang Nan Town*), 豐順縣 (Fengshun County*), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project has a site area of approximately 280,836 sqm and a total GFA for sale of approximately 310,716 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III also commenced delivery during 2020. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 226,087 sqm. The Group has designated GFA of approximately 9,482 sqm of this property as investment properties held for long-term investment purpose. The ancillary commercial building plus a basement with a total GFA of approximately 9,074 sqm were leased out during FY2022. During FY2022, contracted sales of approximately HK$209,726,000 with GFA of approximately 26,799 sqm were recorded with respect to "Xincheng Yujing".

Yujing Yayuan — 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the total GFA available for development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in 2020. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 20,901 sqm. During FY2022, contracted sales of approximately HK$137,973,000 with GFA of approximately 11,582 sqm were recorded with respect to "Yujing Yayuan".

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Hua Cheng Yujing Garden — 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 87,267 sqm. During FY2022, contracted sales of approximately HK$79,131,000 with GFA of approximately 431 sqm were recorded with respect to "Hua Cheng Yujing Garden".

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 31 December 2022, the aggregate GFA available for sale of the service apartments delivered was approximately 23,668 sqm. The Group has designated GFA of approximately 1,428 sqm of this property as investment properties held for long-term investment purpose. During FY2022, contracted sales of approximately HK$70,779,000 with GFA of approximately 454 sqm were recorded with respect to "Central Park".

Yujing Scenic Garden — 100% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("Highway G105") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. "Yujing Scenic Garden" is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is a commercial and residential complex, comprising residential buildings and a street-level commercial podium and car parks. The total GFA available for sale is approximately 757,633 sqm, which comprises four phases of development. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 708,189 sqm. During FY2022, contracted sales of approximately HK$26,628,000 with GFA of approximately 1,569 sqm were recorded with respect to "Yujing Scenic Garden".

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to "Yujing Scenic Garden", and the Group has developed this land together with "Yujing Scenic Garden" to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,894 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,711 sqm, respectively. As at 31 December 2022, the aggregate GFAs delivered under this project was approximately 138,745 sqm. During FY2022, contracted sales of approximately HK$8,937,000 with GFA of approximately 1,025 sqm were recorded with respect to "Tianhu Yujing".

Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA available for sale is approximately 110,417 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel with a GFA of approximately 42,331 sqm has been retained as a long-term asset of the Group. As at 31 December 2022, the aggregate GFAs delivered under this project was approximately 39,525 sqm. During FY2022, contracted sales of approximately HK$2,611,000 with GFA of approximately 209 sqm were recorded with respect to "Pearl Yunling Lake".

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2022, the aggregate GFA available for sale delivered under this project was approximately 148,759 sqm. During FY2022, contracted sales of approximately HK$2,200,000 with GFA of approximately 765 sqm were recorded with respect to "Pearl Yijing".

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 52,272 sqm.

Meizhou Chaotang Project — 100% interest

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 55,248 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. The Group has designated the hotel with a GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Zhukong International — 80% interest

"Zhukong International", which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 廣州大道 (Guangzhou Avenue*) and 黃埔大道 (Huang Pu Da Dao*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 31 December 2022, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 5,109 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 60,891 sqm of this property as investment properties held for long-term investment purpose.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 31 December 2022, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 826,072 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.

Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services for property development projects and urban redevelopment projects in the PRC, particularly under the "Three Old" Redevelopment Works regime (「三舊」改造工作) initiated by the Guangzhou Municipal Government, being a regime for the redevelopment of rural land collectively owned by the village residents through a rural collective economic organisation (農村集體經濟聯合社). Projects under the "Three Old" Redevelopment Works regime are subject to specific PRC laws, regulations and policies which, among other things, (1) regulate the various models of property redevelopment for these projects (each a "Redevelopment Model"); and (2) restrict the transfer of ownership of the land use rights in the rural land for redevelopment under these projects.

Under this operating model, the Group has been providing project management services to each of its customers who have entered into cooperation agreements with various rural collective economic organisations for the redevelopment of rural land under the "Three Old" Redevelopment Works regime. Pursuant to each of these cooperation agreements, the relevant rural collective economic organisation has agreed to provide the rural land for redevelopment under the project ("Project Land"), and the relevant customer has obtained the contractual right and responsibility (including the funding responsibility) and management rights to carry out the redevelopment of the project. Pursuant to the "Three Old" Redevelopment Works regime, the Group's customer may, as the contract redeveloper, acquire the land use rights of the relevant Project Land either by way of contract or through a public listing-for-sale process depending on the Redevelopment Model adopted by the relevant rural collective economic organisation.

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The Group is not a party to the cooperation agreements with the rural collective economic organisations. Instead, it has entered into project management agreements with each of its customers, pursuant to which the Group has obtained such management rights and undertaken the responsibility (including funding responsibility) to carry out the redevelopment of the project. In carrying out its business in the provision of such project management services for projects under the "Three Old" Redevelopment Works regime, the Group is responsible for preparing redevelopment and resettlement compensation plans, obtaining approvals from village residents with respect to such plans, assisting the rural collective economic organisations to manage land title issues, obtaining government approvals, certificates and permits to carry out the property development works (including development of resettlement properties), funding the operations and development of the project and other project management services. In return for the Group's project management services and contribution:

(a) if the subsidiary of the Group's customer ("Project Company") directly or indirectly acquires the land use rights in the Project Land and to the extent a transfer of the equity interest in the Project Company is permitted under the PRC laws, regulations and policies, the Group is entitled to (i) exercise its pre-emptive rights to acquire the equity interest in the Project Company or (ii) an income from the sale of the equity interest in the Project Land to a third party;

(b) to the extent that the equity interest in the Project Company (which directly or indirectly holds the land use rights in the Project Land) is not capable of being transferred due to regulatory reasons or government policies, the Group is entitled to an income from the sale of saleable properties developed under the project; and

(c) if the Project Company has not directly or indirectly acquired the land use rights in the Project Land, the Group is entitled to an amount equal to (i) the total amount of funds incurred and contributed by the Group under its contractual funding responsibility plus (ii) an income from a fixed rate of return at an agreed percentage of such funds, which represents the minimum consideration receivable by the Group as an assured return on investment for its provision of project management services.

The Group recorded project management services segment revenue of approximately HK$1,705,171,000 for FY2022, compared with that of approximately HK$1,893,417,000 for FY2021. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management agreements entered into by the Group in FY2022. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investment and Hotel Operation

As at 31 December 2022, the Group owned (1) certain floors of Royal Mediterranean Hotel ("RM Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2021: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 60,891 sqm (31 December 2021: 62,655 sqm); (3) certain floors of a commercial complex in "Hua Cheng Yujing Garden" with GFA of approximately 15,918 sqm (31 December 2021: 15,918 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2021: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 12,911 sqm (31 December 2021: 19,058 sqm) as investment properties. During FY2022, RM Hotel, "Zhukong International", the hotel located in Meizhou City and certain commercial properties were partially leased out with total rental income of approximately HK$172,450,000 generated, representing a decrease of approximately 12.2% as compared with that of approximately HK$196,446,000 for FY2021. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows for the Group in the future.

As at 31 December 2022, the Group operated two hotels, namely, (1) 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) ("Vlamhoo Hotel") located at Conghua, Guangzhou City, Guangdong Province, the PRC, which was constructed by the Group, with its operations commenced in December 2021; and (2) 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) ("Luhu Hotel") located at Fengshun County, Meizhou City, Guangdong Province, the PRC, which has been operated by the Group since December 2021. During FY2022, the operation of these hotels generated a total income of approximately HK$71,185,000 (FY2021: HK$5,973,000) for the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals during FY2022.

FINANCIAL REVIEW

Revenue

During FY2022, the Group's revenue by operating segment included revenue from property development, project management services, and property investment and hotel operation. The total revenue of the Group for FY2022 was approximately HK$2,838,843,000 (FY2021: HK$2,985,021,000), which represented a decrease of approximately 4.9% as compared with that for FY2021.

Revenue from property development for FY2022 amounted to approximately HK$890,037,000 (FY2021: HK$889,185,000). The slight increase was mainly due to the increase in the number of properties delivered during FY2022 as compared with that during FY2021.

The income from the project management services segment contributed approximately HK$1,705,171,000 (FY2021: HK$1,893,417,000) to the total revenue of the Group for FY2022. The decrease was mainly due to the decrease in the number of project management services agreements the Group had in FY2022.

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During FY2022, the Group recorded an aggregate income of approximately HK$243,635,000 (FY2021: HK$202,419,000) from the property investment and hotel operation segment. The rental income generated by the Group from its investment properties decreased from approximately HK$196,446,000 for FY2021 to approximately HK$172,450,000 for FY2022, mainly due to the decrease in the GFA of the investment properties leased out by the Group during FY2022. During FY2022, the Group generated a total income of approximately HK$71,185,000 (FY2021: HK$5,973,000) from its operation of two hotels in the Guangdong Province, the PRC, namely, the Vlamhoo Hotel, which was constructed by the Group, with its operations commenced in December 2021, and the Luhu Hotel, which has been operated by the Group since December 2021.

Gross profit

Gross profit of the Group decreased from approximately HK$2,262,611,000 for FY2021 to approximately HK$1,966,695,000 for FY2022, mainly due to the decrease in the Group's revenue in FY2022 and the increase in the Group's cost of sales as its hotel operation business started operation in December 2021.

Fair value gain/(loss) on investment properties, net

For FY2022, the Group recorded a fair value loss on investment properties, net, of approximately HK$184,464,000 as compared with the fair value gain on investment properties, net, of approximately HK$77,679,000 for FY2021. The fair value loss on investment properties, net, for FY2022 was mainly due to the decrease in the fair value of "Zhukong International", "RM Hotel" and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 31 December 2022.

Other income and gains, net

Other income and gains, net, of the Group decreased to approximately HK$317,752,000 during FY2022 (FY2021: HK$623,983,000). The decrease was primarily due to the foreign exchange gain, net, of approximately HK$406,130,000 recorded by the Group for FY2021 as a result of the appreciation of the Renminbi ("RMB") against the Hong Kong Dollar ("HK$"), while the Group recorded a foreign exchange loss, net, of approximately HK$592,063,000 for FY2022 arising from the depreciation of the RMB against the HK$, which has been accounted for as "other expenses, net" in the consolidated statement of profit or loss presented herein.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group slightly decreased from approximately HK$503,651,000 for FY2021 to approximately HK$498,576,000 for FY2022.

Other expenses, net

Other expenses, net, of the Group increased from approximately HK$660,345,000 for FY2021 to approximately HK$1,242,784,000 for FY2022. Other expenses, net, mainly comprised (i) the recognition of a foreign exchange loss, net, of approximately HK$592,063,000 (FY2021: foreign exchange gain, net, of approximately HK$406,130,000, being accounted for as "other income and gains, net" in the consolidated statement of profit or loss presented herein) by the Group for FY2022 as a result of the depreciation of the RMB against the HK$ during FY2022; (ii) the impairment loss of hotel properties included in the Group's property and equipment of approximately HK$428,083,000 (FY2021: Nil); and (iii) the impairment of the Group's properties under development and completed properties held for sale of approximately HK$150,576,000 recorded for FY2022 (FY2021: HK$103,393,000).

Changes in fair value of financial assets at fair value through profit or loss

Changes in fair value of financial assets at fair value through profit or loss of the Group decreased from approximately HK$381,434,000 for FY2021 to approximately HK$186,973,000 for FY2022. The decrease was mainly due to the decrease in the fair value of a project management services agreement as at 31 December 2022, under which the Group agreed to provide project management services in relation to a property development project to its customer.

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK$192,107,000 during FY2022 (FY2021: HK$429,391,000), which represented the Company's share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group held approximately 29.56% interest of the issued share capital of Silver Grant as at 31 December 2022.

Finance costs, net

Finance costs, net, of the Group for FY2022 were approximately HK$1,270,106,000 (FY2021: HK$1,510,796,000), which were made up of interest expenses incurred by the Group during FY2022 after deduction of the interest expenses capitalised into development costs. The decrease in finance costs, net, was mainly due to the decrease in the interest-bearing bank and other borrowings of the Group in FY2022, as compared with those in FY2021.

Income tax expense

Income tax expense of the Group comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC and deferred tax. CIT of approximately HK$173,940,000 (FY2021: HK$327,988,000), LAT of approximately HK$71,293,000 (FY2021: HK$50,020,000) and deferred tax credit of approximately HK$175,603,000 (FY2021: HK$41,764,000) accounted for the Group's total income tax expense of approximately HK$69,630,000 for FY2022 (FY2021: HK$336,244,000). The decrease in total income tax expense for FY2022 was mainly due to the decrease in the income generated by the Group during FY2022 which was subject to income tax, as compared with that during FY2021.

Loss for the year

The Group's loss for FY2022 was approximately HK$1,021,759,000 (FY2021: profit for the year of HK$109,616,000). The decrease in profit was mainly attributable to (i) the recognition of a fair value loss on investment properties, net, of approximately HK$184,464,000 for FY2022 (FY2021: fair value gain on investment properties, net, of HK$77,679,000), mainly caused by the decrease in the fair value of the Group's investment properties located in the Mainland China as at 31 December 2022 from that as at 31 December 2021; (ii) the record of a provision of impairment loss of hotel properties included in property and equipment of approximately HK$428,083,000 for FY2022 (FY2021: Nil) and an impairment of properties under development and completed properties held for sales of approximately HK$150,576,000 for FY2022 (FY2021: HK$103,393,000), as a result of the current weak property market in the PRC; and (iii) the foreign exchange loss, net, of approximately HK$592,063,000 recorded by the Group for FY2022 (FY2021: foreign exchange gain, net, of HK$406,130,000), mainly as a result of the depreciation of the RMB against the HK$ during FY2022.

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group. There is in general no material seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 31 December 2022, the Group's cash and bank balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$759,572,000 (31 December 2021: HK$2,063,976,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	31 December 2022 HK$'000	31 December 2021 HK$'000
Bank loans — secured	**7,318,223**	9,287,055
Other borrowings:		
Senior notes — secured	**1,588,570**	1,841,783
Other borrowings — secured	**6,365,616**	8,020,308
Other borrowings — unsecured and guaranteed	**30,000**	40,000
Lease liabilities	**16,900**	6,850
	15,319,309	19,195,996

(a) As at 31 December 2022, the Group's bank and other borrowings amounted to approximately HK$15,319,309,000, of which approximately 41.7%, 36.9%, 9.4% and 12.0% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years (31 December 2021: HK$19,195,996,000, of which approximately 39.7%, 26.8%, 21.6% and 11.9% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years). As at 31 December 2022, such borrowings of the Group were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and term loan facilities; and (iv) lease liabilities. Out of these borrowings, approximately HK$283,830,000 (31 December 2021: HK$745,260,000), approximately HK$13,006,296,000 (31 December 2021: HK$16,113,464,000) and approximately HK$2,029,183,000 (31 December 2021: HK$2,337,272,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% to 13.00% (31 December 2021: 7.76% to 12.40%). Approximately 17.73% (31 December 2021: 25.46%) of the bank loans carried fixed interest rates ranging from 3.61% to 9.00% (31 December 2021: 0.95% to 13.00%) while the remaining bank loans of approximately 82.27% (31 December 2021: 74.54%) carried floating interest rates.

(b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and bank balances) over the total capital (total equity plus net debt) of the Group. As at 31 December 2022, the gearing ratio of the Group was 66% (31 December 2021: 65%).

(c) As at 31 December 2022, the Group had outstanding secured bank loans of approximately HK$7,318 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, GZZG Urban Renewal, 廣州舜吉實業有限公司 (Guangzhou Shunji Industry Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*); (vi) the corporate guarantees executed by the Company and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("Guangdong Zhuguang Group"); and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia.

(d) As at 31 December 2022, the Group had outstanding senior notes in the aggregate principal amount of US$210 million (equivalent to approximately HK$1,589 million), which were secured and guaranteed by (i) 3,000,000,000 shares of the Company ("Shares") owned by Rong De Investments Limited (融德投資有限公司) ("Rong De"); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("Ai De"), All Flourish Investments Limited (通興投資有限公司) ("All Flourish"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("Capital Fame"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("Cheng Chang"), China Honest International Investments Limited (創豪國際投資有限公司) ("China Honest"), Diamond Crown Limited (毅冠有限公司) ("Diamond Crown"), East Orient Investment Limited (達東投資有限公司) ("East Orient"), Ever Crown Corporation Limited (冠恒興業有限公司) ("Ever Crown"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Gains Wide Holdings Limited (利博控股有限公司) ("Gains Wide"), Gold Charter Investments Limited (高澤投資有限公司) ("Gold Charter"), Graceful Link Limited (愉興有限公司) ("Graceful Link"), Pacific Win Investments Limited (保鋒投資有限公司) ("Pacifc Win"), Polyhero International Limited (寶豪國際有限公司) ("Polyhero International"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith International"), Sharp Wisdom Holdings Limited (鋭智控股有限公司) ("Sharp Wisdom"), South Trend Holdings Limited (南興控股有限公司) ("South Trend"), Speedy

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Full Limited (速溢有限公司) ("Speedy Full"), Talent Wide Holdings Limited (智博控股有限公司) ("Talent Wide"), Top Asset Development Limited (通利發展有限公司) ("Top Asset"), Top Perfect Development Limited (泰恒發展有限公司) ("Top Perfect"), World Sharp Investments Limited (華聲投資有限公司) ("World Sharp") and Zhuguang Group Limited (珠光集團有限公司) ("ZG Group"); (iii) the corporate guarantees executed by Rong De, ZG Group, South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, China Honest, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Gold Charter, Graceful Link, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, World Sharp, Sharp Wisdom and Speedy Full; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(e) As at 31 December 2022, the Group had outstanding secured other borrowings of approximately HK$6,366 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*), 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*) and 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*); (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (ix) 922,000,000 Shares owned by Rong De; and (x) 681,240,000 shares in Silver Grant owned by the Company.

(f) As at 31 December 2022, the Group had outstanding unsecured and guaranteed other borrowings of HK$30 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung.

(g) During FY2022, the Group's performance was affected by the slow-down in the PRC property market and pressures on business operations were exacerbated by the COVID outbreak and lockdown measures, as well as prolonged negotiations on re-financing activities. For FY2022, the Group incurred a net loss of HK$1,022 million. Notwithstanding that the Group reported net current assets of HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to HK$6,381 million, including (1) the secured borrowings of HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. As at 31 December 2022, the Group had cash and bank balances amounting to HK$760 million, of which HK$131 million was unrestricted.

During FY2022, the secured borrowings of HK$617 million have not been repaid according to the scheduled repayment dates and remained outstanding as at 31 December 2022. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates of such borrowings. Subsequent to the end of the reporting period, in March 2023, the Group has entered into an agreement to extend the repayment of an existing loan in the amount of HK$208 million up to year 2024. The Directors expect that the refinancing of the remaining borrowings which were due for repayment as at the reporting date will be completed by 30 June 2023. As a result of the above, other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date have been reclassified as current liabilities at the reporting date. Up to the date of this annual report, the Group has not received any demand for immediate repayment for any of these borrowings.

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The Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 31 December 2022. The Group has formulated certain plans and measures as set out in note 2.1 to its consolidated financial statements for FY2022 to mitigate the liquidity pressure and to improve its cash flows. The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from 31 December 2022, prepared by the management, and they are of the opinion that, taking into account the plans and measures as set out in note 2.1 to the Group's consolidated financial statements for FY2022, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months. Accordingly, the Directors believe that it is appropriate to prepare the Group's consolidated financial statements for FY2022 on a going concern basis.

FINANCIAL GUARANTEE CONTRACTS

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	31 December 2022 HK$'000	31 December 2021 HK$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,706,018**	4,886,244

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

FOREIGN EXCHANGE RATE

During FY2022, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2022, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 883 employees in Hong Kong and the PRC as at 31 December 2022 (31 December 2021: 927). During FY2022, the level of the Group's overall staff cost was approximately HK$241.7 million (FY2021: HK$267.0 million). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2022, including training on updates of accounting standards and training on market updates.

During FY2022, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital expenditures contracted but not provided for in its financial statements in respect of properties under development of approximately HK$620,805,000 (31 December 2021: HK$1,603,026,000) in aggregate. It is expected that these capital expenditures will be settled by cash through the Group's internal resources and debt financing raised by the Group. Other than the capital commitments disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in 2023 with reference to the current situation as at the date of this annual report.

I. PREAMBLE

The People's Republic of China ("PRC" or "China") has experienced a rapid economic growth since 1979, leading to the emergence of urbanisation and rural reconstruction across the entire country. With a population of over 1.4 billion, a steady increase in the urbanisation rate has been observed in the country over the past few decades. Seeing the urgency to increase housing supply in the urban areas, the opportunities and risks that the real estate industry in China faces have caused people to reconsider the way urban cities should be designed and built.

China has shown its stance on environmental sustainability in multiple occasions in recent years. In particular, in the 20th Communist Party congress, President Xi Jinping has stressed the importance of environmental protection and the promotion of low-carbon industries, stating the need to achieve "harmony between humanity and nature when planning our development". In the earlier "14th Five Year Plan", the PRC government has also expressed its dedication to the promotion of sustainable urbanisation.

In FY2022, to achieve the ambitious national goal of reaching Carbon Neutrality by 2060, a number of policies regarding the promotion of green buildings were launched by the Chinese government. As the first mandatory document to regulate carbon emissions from buildings and construction, the Ministry of Housing and Urban-Rural Development has issued the General Code for Building Energy Conservation and Renewable Energy Utilization which states that the construction industry has to conduct mandatory carbon emission calculations starting from April 2022. Besides, the Ministry of Industry and Information Technology together with three other ministries have also released the Action Plan on Peaking Carbon Dioxide Emissions in the Building Materials Industry, setting 15 tasks to boost the development of the low-carbon construction industry.

Reckoning that the real estate industry has an essential role in the low-carbon plan of the country since the operational processes of the companies in the industry, including land development, resource consumption, waste generation and labour practices will have a wide range of sustainable impacts throughout their life cycle, Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), uses its best endeavours to ensure that its business operations are environmentally sustainable, socially inclusive, and economically productive given that when they transform the cities, they will inevitably make significant impacts on the society, economy and environment.

Looking forward, the Group will remain committed to its spirit of craftsmanship, focus on improving its product quality, and proceed with details to build green buildings which are aligned with the national approach of building beautiful China, while contributing to the recovery of the real estate industry, eliminating poverty and inequality, respecting human and labour rights, advocating gender equality and deploying technological innovation in its operations.

Dedicated to its belief in the potential of the real estate industry being a powerful driver for corporate sustainability and accelerating the progress to achieve the Sustainable Development Goals ("SDGs") under the United Nations Global Compact, the Group has been creating sustainable values via operating in accordance with its ESG Management Principles, the details as set out above, delivering first-class services and catering for the diverse needs of its stakeholders.

Putting its belief into practice, the Group, being a socially responsible enterprise engaged in the businesses of property development, project management, and property investment and hotel operation in the PRC, has been endeavouring to identify and address the material environmental, social and governance (collectively referred to as "ESG") matters to tangibly demonstrate its responsible business purpose and commitment. As the cornerstones that guide its sustainable development and strategy along the way, the Group is also committed to aligning its business strategies and operations with the Ten Principles on human rights, labour, environment and anti-corruption in the United Nations Global Compact.

Striving to take actions to advance broader societal goals through stakeholder collaboration and product innovation, the Group takes into consideration the material ESG matters alongside financial factors in its decision-making process and operations, while inherently connecting its long-term success with the effectiveness of its corporate ESG management and sustainable development. The Group is dedicated to applying top-tier sustainability standards to its operations and benchmarking its performance with the best practices of leading pioneers in the real estate industry in China so as to keep up with the market and allow for constant exploration of new ideas.

ESG commitment

Striving to integrate ESG into its daily management and business development, the Group commits to the five areas as listed below.

FRIENDLY WORKPLACE

Maximise the potential of human capital through friendly working conditions, respect for employees' rights and opinions and effective occupational health and safety policy.

ENVIRONMENTAL PROTECTION

Optimise operational resource efficiency and contribute to sustainable urban development through adherence to environmental sustainability standards in significant aspects of operations (e.g. energy, water, waste and raw materials, etc).

DATA MONITORING

Enhance the Group's reputation on ESG through effective performance monitoring systems in which environmental and social criteria are well-defined.

RISK MANAGEMENT

Manage climate-related issues and operational risks along the Group's value chain, including the protection of labour and human rights, and promote compliance with regulatory requirements and industry standards.

SOURCING PRACTICES

Make use of consistently sustainable practices in supply chain management in materials and services procurement, thereby furthering the control of any social and environmental risks in the supply chain management.

II. ABOUT THE REPORT

In strict compliance with the requirements under Appendix 27 — Environmental, Social and Governance Reporting Guide ("ESG Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the "Comply or Explain" provision, the Group is pleased to present its ESG Report ("ESG Report") for FY2022, which demonstrates the Group's approach and performance in terms of its ESG management and corporate sustainable development for FY2022.

Boundary Setting

Setting a clear and realistic reporting boundary is essential for defining the scope and extent of disclosures, allowing the Group to review and evaluate its performance during FY2022. Given the business nature and development plans of the Group, this ESG Report examines the ESG performance and management policies of the operations of the Group for FY2022 under the operational control approach, comprising the Group's businesses in the PRC of (i) property development; (ii) project management; and (iii) property investment and hotel operation, and its offices in Hong Kong and the PRC. There is no change to the scope of this ESG Report from that of the ESG Report issued by the Group for FY2021, except that ESG-related disclosure of the Group's hotel operation business has been made in this ESG Report for the first time, taking into consideration that the Group had commenced its operation of two hotels located in the Guangdong Province, the PRC, namely, 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) ("Vlamhoo Hotel") located in Conghua, Guangzhou City and 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) ("Luhu Hotel") located in Fengshun County, Meizhou City, in December 2021.

Progress review against the environmental targets set in the previous financial year was calculated on the "within the same scope" basis, which means the corresponding environmental performance intensities in FY2022 cannot be taken directly from the performance tables for comparison.

Reporting Principles

In accordance with the principles supporting the reporting process as stated in the ESG Guide, the Group has adopted the following principles of materiality, quantitative, balance and consistency, in its preparation of this ESG Report.

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Applications of ESG Reporting Principles

MATERIALITY

In FY2022, the Group conducted an annual materiality assessment of ESG-related issues with reference to the recommended procedures of the Global Reporting Initiative ("GRI") standards. The selected stakeholders were invited to raise their concerns about the Group's sustainable development through online surveys. The Group then integrated the opinions of its key stakeholders with the assessment of ESG impact significances. The assessment matrix serves as the function of prioritising and outlining the relevant ESG issues that are significant to the ESG management of the Group, which would be observed and monitored in its business development.

QUANTITATIVE

The Group strives to quantify its environmental and social performance, along with the associated impacts for carrying out comparison across the years and against its peers. In FY2022, the Group collected and analysed its performance with various quantitative key performance indicators ("KPIs"), including greenhouse gas ("GHG") emissions, consumption of energy resources, the number of employees in terms of age, geographic locations and position types in performance tables, where footnotes clearly state the calculation methods, assumptions and conversion factors used. Tables, charts and graphics were also presented in this ESG Report, providing stakeholders with an in-depth understanding of the Group's performance in various KPI categories over the years.

BALANCE

Discussion on the Group's achievements and areas that require improvements have been disclosed to provide an unbiased evaluation of the Group's impact on and contribution to sustainable development. In particular, the ESG performance of the Group in FY2022, as well as its resilience towards the risks of the ripple effects of emergencies such as the COVID-19 pandemic and other major environmental and climate emergencies are reviewed.

CONSISTENCY

The Group values consistency in its reports, which allows meaningful comparison across the years to be carried out. The approaches of data collection, information disclosure and reporting framework are formulated on a consistent methodology that is aligned with its previous ESG reports. In addition to its quantitative data calculation and disclosures, the Group has also adopted a systematic approach in the boundary setting process for its reporting scope. Should there be any significant changes in terms of its reporting framework, disclosure scope or calculation method, clear explanation will be made in the corresponding sections.

III. SUSTAINABILITY MANAGEMENT

In view of the increasing stakeholder concerns on sustainability issues such as climate change, environmental deterioration, resource scarcity, social inequality etc., the Group sees the need to continuously enhance its sustainability governance as well as setting set out a clear roadmap for its sustainable development with the implementation of an accountability system.

Striving to fulfil its corporate mission, the Group has integrated ESG factors into its decision-making process, while establishing robust corporate governance thereby creating values for its stakeholders and facilitating its sustainable development. To this end, the Group ensures that material sustainability topics that encompass ESG-related concerns are put on the Board's agendas with full awareness of the pivotal role the Board plays in the oversight of the Group's corporate ESG management. In particular, the Board is responsible for:

- Overseeing the assessment of the Group's environmental and social impacts, and the implications of market fluctuations and changes to the macro-environment on the Group's ability to create values for all its stakeholders in the long run;
- Identifying and fathoming the potential risks of the ESG issues in relation to the Group's operating model and strategic plans;
- Keeping abreast of the expectations and concerns of the Group's stakeholders, including its investors and regulators, through ongoing dialogues;
- Creating a barrier-free communication culture within the Group;
- Enforcing a materiality assessment and reporting process to ensure effective actions are implemented; and
- Maintaining a culture of sustainability by taking the environmental and social impacts of the daily operations across the Group into consideration.

To allow smooth communication and effective cascade of corporate messages, the Group has adopted a top-down and bottom-up approach. As the highest governance body, in addition to bearing the ultimate responsibility and overseeing the ESG-related issues across the organisation, the Board is also responsible for initiating sustainability strategies and proposing guidelines, including the setting up of relevant performance indicators. In particular, the Board mainly acquires corporate ESG information through the disclosure of KPIs in the Company's ESG reports, meetings with ESG teams of the Group, shareholders' general meetings and its internal and external stakeholders' feedback via surveys.

Meanwhile, the management is responsible for steering, supervising and monitoring the implementation of the Group's sustainability practices. The management also reports the progress of ESG building within the Group, and any significant risks and opportunities arising from operations to the Board. The Legal Affairs Department of the Company is responsible for collecting, summarising and preparing the latest updates of ESG-related regulations and policies to the Board on a regular basis.

Different business units of the Group are responsible for the execution of the ESG policies at different stages of the business operations of the Group. The Group also encourages its front-line staff to update the policymakers and executives of the Group on a timely basis with their hands-on experience gained during the daily operations so as to enhance the practicality and suitability of the Group's sustainability strategy.

To step up its sustainability efforts, the Group has established different steering groups and taskforces to manage the spectrum of its ESG-related issues more effectively through the engagement of representatives from various backgrounds. In particular, an ESG steering group ("ESG Steering Group") has been formed, which is comprised of the executive Directors, the chief financial officer and the company secretary of the Company, and the general manager of the financial management centre of the Company, to supervise the entire process of the preparation of the ESG Report and the communication with the Board about relevant matters relating to the ESG Report.

In the meantime, an ESG taskforce ("ESG Taskforce") has also been built to coordinate and monitor the data collection process in the preparation of the ESG Report, ensuring that material ESG policies of different companies in the Group can be identified and information of the ESG performance of the Company and each of its subsidiaries can be obtained accurately.

The Board annually reviews the effectiveness of the ESG risk management and internal control systems of the Group. External professional ESG advisors are also engaged to provide the Group with ongoing expertise, knowledge and technical support relating to ESG issues that may influence the business operations of the Group in the short, medium and long-term. Meanwhile, valuing the opinions of its stakeholders, the Group also ensures that open communication channels, such as surveys and meetings, with its stakeholders on ESG-related issues are available, so as to take into due consideration the interests of its key stakeholders when developing its corporate strategy. Through various engagement tools and materiality assessment, stakeholders' concerns will bring the Group and the Board insight into areas of great importance to the real estate industry and its business, thereby facilitating the Group to optimise its operations in a more timely, efficient, responsible and sustainable manner.

The COVID-19 pandemic in the past few years has taught the business world a lesson on the importance of timely response to unexpected scenarios as well as the criticality of resilience building to the longevity and survival of an enterprise. As such, to strengthen its sustainability, the Group has incorporated the following initiatives in its management approach:

a) incorporating ESG-related risks into the Group's enterprise risk management (ERM) that enables the Board and the management to prioritise the business issues and allocate the resources more effectively;

b) ensuring the Group has access to relevant information and resources for building adaptive capacity to monitor its progress towards sustainability objectives;

c) opening up more avenues for business development and diversifying the business types of the Group;

d) benchmarking the practices of the Group against global best practices to evaluate its performance in its compliance with legally binding regulations as well as international standards; and

e) deepening the analysis of the Group's corporate strategy by compiling strategic measures and action plans every 3 years.

IV. BOARD STATEMENT

Notwithstanding that 2022 was another year of uncertainty as the unprecedented impact of the COVID-19 pandemic continued to disrupt all aspects of life and businesses, the Group saw a flush of hope by late 2022 as China started to loosen its pandemic prevention and control measures together with the reopening of its borders. In spite of the challenges during the year under review, as one of the leading real estate enterprises in China, the Group remained steadfast in its commitment to contribute to a more sustainable future through supporting the green recovery of the nation's economy.

As an enterprise that has long been dedicated to fulfilling its responsibilities in maximising social values, eliminating environmental impacts, and realising economic growth simultaneously, the Group's commitments to and actions in promoting an environmentally and socially responsible business never changed during such a period of volatility. The Group has endeavoured to keep its original aspirations in heart by making continuous improvements in its ESG governance and management. Adhering to the "1+1+N" development strategy of the PRC government while focusing its business presence on the Guangdong-Hong Kong-Macau Greater Bay Area, the Group will continue to implement its strategy of focusing on urban renewal projects to support its medium and long-term development to meet its short-term needs.

Standing at the intersection of the nation's "Two Centennial (兩個一百年) Goals"*, the Group is committed to and will continue to contribute to China's economic growth, construction of ecological civilisation and promotion of social wellbeing by maintaining its professionalism as an urban renewal specialist.

Eco-friendly practices

Environmental concerns and expectations from the stakeholders regarding how the Group conducts its business responsibly have never been of higher significance to the Group. With an inherent focus on sustainable practices and the reduction of its environmental impacts, the Group remains committed to optimising its energy management, promoting green transportation, developing green properties and joining hands with its business partners in the application of innovative concepts to property design, construction and management.

Governance Resilience

A robust and sound corporate governance covering different aspects of the Group, including business ethics, corporate values, and risk management, is fundamental for the Group to promote a sustainable and responsible business. As such, the Group has been optimising its corporate governance over the past few years, striving to create long-term shared values for all its stakeholders through formulating and implementing strict internal policies. Aiming at a "greener tomorrow", the Group is dedicated to enhance its governance resilience by pursuing transparency, which is believed to be essential for the Group to expediate the alignment of its ESG management with internationally recognised frameworks. On top of its adherence to the general reporting principles set out in the ESG Guide, the Group attempts to monitor, track, summarise and reveal its sustainability performance through well-defined metrics.

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Sustainability Targets and Monitoring Mechanism

In response to the national call for green urbanisation and low carbon development, the Group has set appropriate ESG targets related to its business while ensuring the constant oversight of such targets by the Board through regular reviews.

In view of the Group's business nature as a real estate enterprise and the concerns of its stakeholders in relation to ESG matters expressed via annual materiality assessment, targets related to the Group's air emissions, GHG emissions, wastewater, and solid waste, as well as its resource efficiency have been established based on the Group's previous records, ongoing projects and future objectives. Details of the targets and measures are disclosed in sections A.1 and A.2 in this ESG Report.

The Board, the ESG Steering Group and the ESG Taskforce are in charge of monitoring and evaluating the Group's ESG performance against the targets previously set. In particular, while the ESG Taskforce coordinates and monitors the ESG-related data collection process so that accurate information of the Group's ESG performance can be identified and obtained, the ESG Steering Group supervises the entire process of the preparation of data reporting and other ESG matters to ensure that the Board can receive first-hand information for the purpose of optimising the Group's ESG objectives and management in a timely manner. Under such prompt and barrier-free communication approach adopted by the Group, the Board undertakes periodical reviews and evaluates the Group's ESG performance regarding its achievement of the targets. In case the Group fails to achieve any targets, the Board will study the reasons for the failure carefully to see if they are justified, and where applicable, decide on further actions to take to achieve the target.

As the Group started its hotel operation in December 2021, the COVID-19 pandemic was still rampant in China with major cities experiencing outbreaks and lockdowns. As a result, the Board did not anticipate that there would be substantial growth in its business operation in FY2022 when it set its environmental targets for FY2022. The Board took FY2021 as the baseline year, targeting that the Group would maintain the same level of eco-intensity within the same scope during FY2022, notwithstanding that the Group's hotel operation business had not been considered when the KPIs for FY2021 were computed for ESG reporting purposes due to immateriality. In spite of the resurgence of the pandemic during the year under review, the Group's hotel operation business expanded and at a rate faster than the Group expected. Following the Chinese government's relaxation of the restrictions established to combat the pandemic and the re-opening of the borders between Hong Kong and the Mainland in the first quarter of the year ending 31 December 2023 ("FY2023"), it was expected that the conditions of the economy would improve in FY2023, which would have a positive impact on the Group's financial performance while its footprints on the environment would likely to increase. These were all factors, among others, that the Board had considered when it set the Group's environmental targets for FY2023. Further details of such targets are set out in the relevant sections below.

Climate Change

The Group has pledged its full support for the national goals of achieving carbon emissions peak by 2030 and carbon neutrality by 2060, with combating climate change remaining the top priority in its drive for sustainability.

The Group has been enhancing its climate change management through progressive disclosure with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) starting from 2020. The Group refers to this international framework in identifying, assessing, managing, and monitoring the potential implications of climate-related risks for its business operations. A range of physical and transition risks, as well as opportunities have been identified to be the most relevant to the Group's operations, which may potentially impact the stability of the supply chain, operating costs, and new capital expenditure of the Group in the long-term. To address these issues, the Group is committed to paying more attention to managing these issues through strengthening its internal review of carbon actions, while enhancing the transparency of its disclosures and practices with respect to climate-related matters to facilitate informed decision-making of its stakeholders.

The Group has been developing appropriate carbon targets and actions to accelerate the achievement of its carbon neutrality in a scientific manner. To extend its sustainability efforts to the value chain, the Group reinforces its collaboration with its business partners to build a transparent and sustainable supply chain that minimises the potential climate-related risks, while maintaining mutually beneficial relationships with them.

COVID-19 Pandemic

2022 was a challenging yet remarkable year as China fought the COVID-19 pandemic with great resilience and perseverance. Upholding the guidance of "Putting people's safety and health first"* (把人民群眾生命安全和身體健康放在第一位), the Group actively responded and acted in adherence to the basic principles of "Formulating Plans in Response to The National Call, Implementing Policies and Procedures of Strict Epidemic Prevention and Control, Informing Employees of Self-Protection" *(按照國家號召制定防控方案，嚴防措施落實各項工作，通知員工做好個人防範) of the Chinese government to control the spread of the virus.

An internal management team has been set up by the Group to be responsible for the coordination of the pandemic prevention and control work, as well as the monitoring of the effective implementation of pandemic-related policies throughout different business divisions across the Group. Under the unified guidance of the central government, the comprehensive responses to the COVID-19 pandemic made by the Group in 2022 effectively controlled the spread of the virus within the Group.

After the change in government policy prompting the loosening of pandemic controls in late 2022, China has been gradually moving into the post-pandemic normalcy, under which the "green" recovery of businesses and low-carbon urban development were brought under the spotlight once again.

The year 2022 marks a key milestone for China as it celebrated its victory over the pandemic. The Board would like to thank the Group's dedicated employees and stakeholders for their continuous support to the sustainable development of the Group. Looking ahead, the Group will remain steadfast in its sustainability strategies and contribute to China's green development towards a sustainable future.

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V. STAKEHOLDER ENGAGEMENT

The Group understands the criticality of maintaining regular communication with its stakeholders which will enable it to gain a deeper insight into their expectations and priorities on its sustainability strategy so that it can respond accordingly. For this reason, the Group engages with its internal and external stakeholders on a regular basis through a variety of communication channels and engagement initiatives.

As the real estate industry involves a wide range of stakeholders in its value chain, from tenants, property management teams, government, to construction material suppliers, architects, surveyors and engineers, the Group adopts a holistic approach in designing its stakeholder engagement which takes its overall business impacts on its stakeholders into consideration.

From the responses obtained through a broad range of open communication channels, the Group has successfully gained a deeper understanding of its stakeholders' concerns and expectations, which has facilitated the Group to gauge how it has performed under its current practices and how it can better prepare for the future with appropriate strategic adjustments. Through continuous stakeholder engagements and ongoing discussions, the Group is committed to:

- Evaluating its business impacts on its stakeholders and taking actions to minimise the actual or potential impacts;
- Promoting awareness, learning and dialogues among its stakeholders around ESG issues;
- Facilitating collaboration and sharing good practices and ideas in the corporate sustainability journey; and
- Mobilising its stakeholders including occupants, suppliers, employees and the wider community groups to scale up their existing initiatives and contribute to the sustainable development of the entire real estate industry.

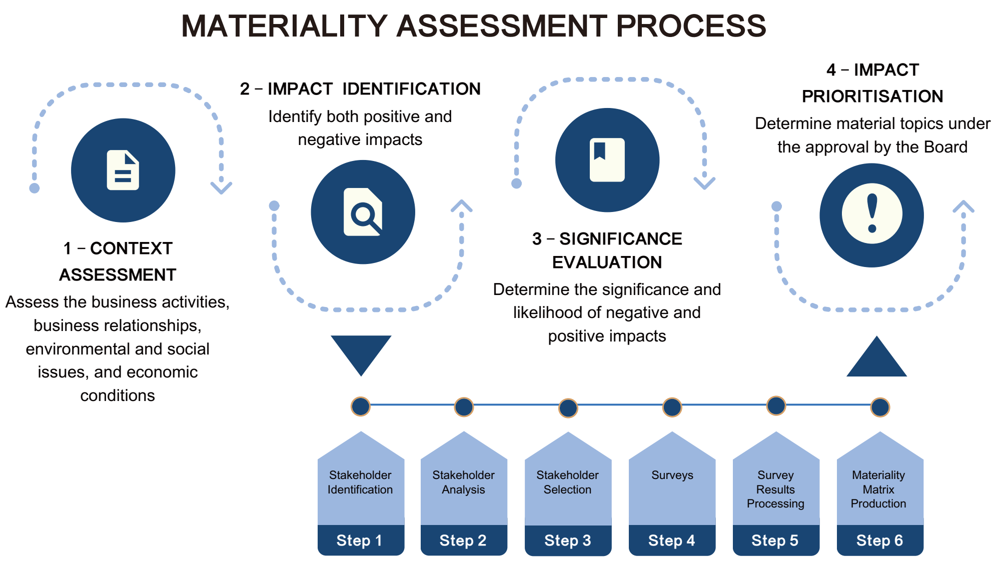
Communication with Stakeholders

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Anti-corruption policies — Occupational health and safety	— Supervision on compliance with local laws and regulations — Routine reports and tax payments
Shareholders	— Return on investments — Corporate governance — Compliance with laws and regulations	— Regular reports — Announcements — General meetings — Official website of the Company
Employees	— Employees' remuneration and benefits — Career development — Health and safety in the workplace — Sustainable solid waste management and water consumption — Correlation between ESG performance and corporate financial returns	— Performance reviews — Regular meetings and training — Written comments via emails, notice boards, telephone calls and team building activities with management
Customers	— Product quality assurance — Protection of the rights of customers — Customer satisfaction — Implications of market changes on the business prospect	— Customer satisfaction surveys — Face-to-face meetings and on-site visits — Customer service hotline and emails
Suppliers	— Fair and open procurement — Win-win upstream and downstream cooperation — Environmental protection — Protection of intellectual property rights	— Open tenders — Suppliers' satisfaction assessments — Telephone conferences, face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Compliance with laws and regulations — Environmental protection awareness	— Media conferences and responses to enquiries — Public welfare activities — Face-to-face interviews

Being committed to generating long-term value for all stakeholders, the Group has consulted and mapped its stakeholders' concerns with the United Nations' Sustainable Development Goals ("SDGs"), and has identified three prioritised SDGs, namely SDG 1: No Poverty, SDG 3: Good Health and Well-being and SDG 4: Quality Education, which are believed to be the most relevant to its business profile and where it can contribute the most to.

The Group is aware of its corporate influence and therefore is committed to fulfilling its responsibilities and obligations in the areas of human rights, labour, environment and anti-corruption, also known as the Ten Principles issued by the UN Global Compact, which also form an integral part of the Group's daily business decision-making and operations. With appropriate commitments, targets, and metrics in either directional or quantitative ways for seeking alignment with the SDGs being planned, the Group believes that its impact-based approach to revealing the interconnectedness of global sustainability targets will make sustainability a reality within the organisation in the long run.

Materiality Assessment



With reference to the recommendations of Global Reporting Initiative ("GRI") standards, the Group takes into account serval aspects, such as the organisation's context, actual and potential environmental and social impacts, the significance of identified impacts and the most significant impacts in its ESG reporting and management.

As shown by the diagram above, the Group has adopted a four-step approach to identify, prioritise and validate the materiality of relevant ESG topics for management and disclosure. An independent consultant was entrusted to conduct a stakeholder engagement exercise to identify material environmental, social and governance related issues along the Group's value chain and to align them with the Group's sustainability strategies and stakeholders' expectations. The Group selected its stakeholders to participate in the engagement exercise based on the guidance provided in ISO 26000 (Guidance on Social Responsibility) and a number of criteria including the stakeholders' legal obligations, power of influence and significance in the value chain and their willingness to participate in the engagement. The selected stakeholders were invited to participate in a survey to express their views on a range of 28 ESG issues related to the Group's environmental and social impacts, which were categorised into key themes including Environmental Impacts, Employment and Labour Practices, Operating Practices, Community Investment and Leadership and Governance.

The Group has adopted an annual approach to conduct regular engagements with its stakeholders to review its material ESG topics. In FY2022, the Group engaged its stakeholders by inviting them to participate in an online survey. Stakeholders including the Group's general employees, senior management and external suppliers as well as business partners were invited to the engagement. Their opinions did not only provide insights into the Group's sustainability strategy, but also shed light on key sustainability trends that lied ahead. In order to facilitate a fair and objective assessment, the engagement survey and materiality analysis were designed and conducted by an independent third-party consultant to collect valuable feedback and insights from the stakeholders.

Based on the results of the stakeholders' engagement conducted in FY2021, which also consisted of an online survey, the materiality assessment methodology used to prioritise the ESG issues identified by the stakeholders of the Group was further fine-tuned by the Group in FY2022 with weightings being applied to the ratings of the ESG issues identified, based on the preference and concerns of the engaged stakeholders on the E, S and G pillars. The materiality matrix below shows the relative significance of selected ESG topics with respect to the Group's stakeholders and business.

MATERIALITY ASSESSMENT OUTCOME

Areas that were identified to be relatively more important to external stakeholders only

- Labour Practices
- Employee Remuneration and Benefits
- Occupational Health and Safety
- Employee Development and Training
- Engagement with Suppliers
- Intellectual Property Rights

Areas that were identified to be vital

- GHG Emissions
- Energy Management
- Water and Wastewater Management
- Solid Waste Stewardship
- Climate Change Mitigation and Adaptation
- Renewable and Clean Energy

Areas that were identified to be relatively insignificant

- Green Procurement
- Environmental and Social Risk Management of Supply Chain
- Supply Chain Resilience
- Business Ethics and Anti-corruption
- Internal Grievance Mechanism
- Participation in Philanthropy
- Cultivation of Local Employment
- Support of Local Economic Development
- Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities
- Management of the Legal and Regulatory Environment (regulatory compliance management)
- Critical Incident Risk Responsiveness
- Systemic Risk Management (e.g. Financial Crisis)

Areas that were identified to be relatively more important to internal stakeholders only

- Product or Service Quality and Safety
- Customer Privacy and Data Security
- Marketing and Promotion

Through the materiality assessment, the Group has identified environmental issues including "GHG Emissions", "Energy Management", "Water and Wastewater Management", "Solid Waste Stewardship", "Climate Change Mitigation and Adaptation" and "Renewable and Clean Energy" as the ESG issues that were significant to the Group's sustainable development.

Stakeholders Feedback

As the Group strives for excellence, it welcomes its stakeholders to provide feedback and advice on the improvement of its corporate ESG approach and performance, especially the ESG issues identified as the most important in the materiality assessment of the Group. Readers are also welcomed to share their views on the ESG matters with the Group at info@zhuguang.com.hk or www.zhuguang.com.hk.

VI. ENVIRONMENTAL SUSTAINABILITY

2022 was the second year under the "14th Five-Year Plan" in which the PRC government had put emphasis on accelerating the building of ecological civilisation and developing a beautiful China. Keeping the spirit in heart, the Group is committed to continuously improving the environmental performance of its properties and business operations. In FY2022, the Group strictly complied with the relevant environmental laws and regulations in the PRC and Hong Kong in its daily operations, including but not limited to the following:

- *Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法);*
- *Environmental Impact Assessment Law of the People's Republic of China* (中華人民共和國環境影響評價法);*
- *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法);*
- *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise* (中華人民共和國環境噪聲污染防治法);*
- *Law of the People's Republic of China on Prevention and Control of Water Pollution*(中華人民共和國水污染防治法);*
- *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* (中華人民共和國大氣污染防治法);*
- *Energy Conservation Law of the People's Republic of China* (中華人民共和國節約能源法); and*
- *Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).*

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The following section primarily discloses the Group's policies and practices on emissions, the efficient use of resources, the minimisation of its significant impacts on the environment and natural resources, and the identification and mitigation of its significant climate-related issues in FY2022, as well as the related quantitative data.

The Group strives to be an environmentally responsible enterprise that comprehensively incorporates environmental considerations into its business operations. Aiming to conform to international environmental and energy management standards, the Group has put relentless efforts in emission control and waste management so as to protect the environment which its operations depend on. Targets for emissions, water consumption, waste discharged and energy use for FY2023, as well as the major actions and measures proposed to achieve such targets are listed in the corresponding sections.

A.1. Emissions

Air Emissions

In FY2022, the Group complied with the relevant national and local environmental laws in terms of emissions in its daily operations. Specifically, the Group did not violate any laws and regulations regarding air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group.

Bearing in mind the national approach of "innovative, coordinated, green, open and shared development"* (創新、協調、綠色、開放、共享的發展理念), the Group has carried out various measures to lower and minimise its impacts on the environment, and help to facilitate the building of ecological civilisation during FY2022.

In FY2022, the air pollutants emitted by the Group, such as sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM"), were mainly generated from vehicles used by the Group for transportation as well as the stationary combustion of gaseous fuel in the Group's hotel operation business. Specifically, the Group's air emissions of SO_x, NO_x and PM amounted to approximately 5.35 kg, 278.09 kg, and 60.90 kg respectively in FY2022. These amounts of air emissions surged by three to eight times as compared to those of the previous year mainly due to the amount of natural gas consumed by the Group's hotel operation business during FY2022, while ESG-related issues of this business segment were only disclosed for the first time in this ESG Report as discussed in the section headed "II. About the Report – Boundary Setting" above. The Group, taking FY2021 as the baseline year, targeted that the intensities of its air emissions in FY2022 within the same scope would not be higher than those in FY2021. In FY2022, the Group's emission intensities within the same scope of NO_x and PM achieved the targets set with significant drops of more than 60% respectively, while that of SO_x did not meet the target set mainly due to the increase in gasoline consumption.

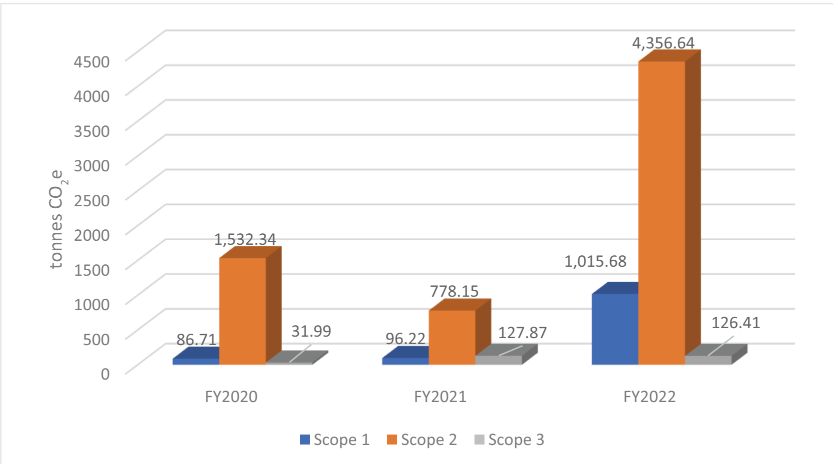
GHG Emissions

Reckoning the serious concern in GHG emissions and the risks brought by the consequential climate change, the Group has been putting in continuous efforts in exploring suitable measures to support the transition to a low-carbon economy.

* *English name is translated for identification purpose only*

In FY2022, the major sources of GHG emissions from the Group were the burning of fossil fuels for transportation and business operations, as well as the electricity purchased and consumed. During the year under review, the Group's total GHG emissions amounted to approximately 5,498.73 tonnes of CO_2e, which were approximately four times higher than those in FY2021 principally due to the expansion of the reporting scope of this ESG Report for FY2022 with the inclusion of the Group's hotel business operation. Meanwhile, it was worth noting that despite the expansion of the scope, the Group's Scope 3 (Other Indirect Emissions) was maintained at a similar level with a slight decrease as compared to those in the previous year, principally attributed by its effective measures in reducing the amount of sewage discharge in the reporting period. Furthermore, with approximately 500 trees planted by the Group, there were approximately 10.35 tonnes of CO_2e carbon offset during the year under review. The Group, taking FY2021 as the baseline year, targeted that the intensities of its total GHG emissions in FY2022 within the same scope would not be higher than those in FY2021. In FY2022, the Group's total GHG emission intensity within the same scope achieved the target set with a decline of approximately 24% as compared to the previous year. Data relating to the Group's GHG emissions during the year ended 31 December 2020 ("FY2020"), FY2021 and FY2022 is presented in the graph below.

Graph showing the Group's GHG emissions from FY2020 to FY2022



The Group's total GHG emissions in FY2022 are summarised in Table 1 below, with its total emissions in FY2021 also included for comparison.

Non-hazardous Waste

In FY2022, a total of approximately 2,873 tonnes of non-hazardous solid wastes including domestic, commercial and construction wastes, and approximately 174,040 m^3 of non-hazardous wastewater including domestic, commercial and construction sewage were generated and discharged by the Group. No hazardous waste (including solid waste and sewage that were hazardous) was discharged by the Group in FY2022.

In FY2022, the Group continued to monitor its environmental performance and required its subsidiaries to carry out effective waste management practices and conduct precise assessment and measurement of their environmental impacts. The total amount of domestic and commercial solid waste reported for FY2022 increased slightly by approximately 11% when compared to that of FY2021, mainly arising from the Group's hotel operation business which commenced operation in December 2021. The Group, taking FY2021 as the baseline year, targeted that its solid waste disposal intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's solid waste intensity within the same scope did not meet the target set with a slight excess of approximately 0.13 tonnes per HK$ million. Meanwhile, the amount of wastewater in FY2022 dropped significantly by approximately 55% as compared to that of the previous year, principally due to the concerted water conservation efforts of the staff of the Group as well as the reduction of the number of new construction projects undertaken by the Group in FY2022. The Group, taking FY2021 as the baseline year, targeted that its wastewater discharge intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's wastewater discharge intensity with the same scope met the target with a plummet of approximately 124.80 m^3 per HK$ million. Nevertheless, the Group has established a robust waste management system to increase the reuse and recycle of its resources including water.

Table 1 The Group's Total Emissions by Category in FY2022 and FY2021[8, 9, 10]

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity[1] (Unit/ HK$ million) in FY2022	Amount in FY2021[2]	Intensity[2] (Unit/ HK$ million) in FY2021
Air Emissions	SO_x	Kg	5.35	1.88×10^{-3}	0.62	2.08×10^{-4}
	NO_x	Kg	278.09	9.08×10^{-2}	69.28	2.32×10^{-2}
	PM	Kg	60.90	2.15×10^{-2}	6.17	2.07×10^{-3}
GHG Emissions	Scope 1 (Direct Emissions)[3]	Tonnes of CO_2e	1,015.68	0.36	96.22	–
	Scope 2 (Energy Indirect Emissions)[4]	Tonnes of CO_2e	4,356.64	1.53	778.15	–
	Scope 3 (Other Indirect Emissions)[5]	Tonnes of CO_2e	126.41	0.04	127.87	–
	Total (Scope 1, 2 & 3)	Tonnes of CO_2e	5,498.73	1.94	1,002.23	0.34
Non-hazardous Waste	Solid Wastes[6]	Tonnes	2,873	1.01	2,600	0.87
	Wastewater[7]	m^3	174,040	61.31	383,107	128.34

1. *Intensity for FY2022 was calculated by dividing the amount of air, GHG and other emissions respectively by the Group's revenue of approximately HK$2,838.8 million in FY2022;*
2. *The amount and intensity in FY2021 were extracted from the data in the ESG report for FY2021;*
3. *The Group's Scope 1 (Direct Emissions) included only the consumption of gasoline in motor vehicles, natural gas in hotel operations and carbon offset from planted trees;*
4. *The Group's Scope 2 (Energy Indirect Emissions) included only electricity consumption;*
5. *The Group's Scope 3 (Other Indirect Emissions) included other indirect emissions from paper waste disposed at landfills and electricity used for processing fresh water and sewage by government departments;*
6. *The solid wastes included domestic and commercial wastes and construction wastes;*
7. *The total amount of wastewater generated by the Group was primarily based on the appropriate estimations assuming 100% of the fresh water consumed by the Group will enter the sewage system in areas where an accurate recording of the amount of wastewater was hard to obtain;*
8. *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, The GHG Protocol Corporate Accounting and Reporting Standard and the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories;*
9. *Individual figures may not add up to the totals due to rounding; and*
10. *In the table above, the environmental data in relation to the Group's hotel operation business (the operation of which commenced in December 2021) has only been accounted for in FY2022. As such, no direct comparison should be made between the data of FY2022 and FY2021 for any meaningful conclusions.*

Air & GHG Emissions Control Measures

In FY2022, the air and GHG emissions generated during the operations of the Group mainly came from the use of gasoline, natural gas and electricity for operational and transportation purposes. Taking FY2022 as the baseline year, the Group aims to maintain its air and GHG emissions intensity of FY2023 within the same scope at the same level.

To achieve its goal and to support the transition to a low-carbon economy, the Group has implemented a series of internal policies including “Anti-pollution and Anti-noise Construction Scheme”* (防污染防噪音施工方案) to establish feasible measures and standardise its management on construction projects and other operations of the Group in a sustainable way. All working sites of the Group are required to strictly follow the internal operating guidelines including daily ground rinsing and water sprinkling to settle dirt and avoid sludge accumulation. In the meantime, preventive maintenance for construction machinery is also conducted to ensure they are in optimal condition. In addition, the Group has installed bag-house dust collectors, closed hoods, and pressurised dust reduction spray devices along the main road of the construction sites. The wheels of the vehicles need to be cleaned before leaving the construction sites to reduce their impact on ambient air quality.

Since the consumption of electricity and other energy resources will lead to major emission of air pollutants and GHG, the Group has introduced relevant internal policies for regulating the procedures of energy conservation in order to mitigate those emissions, which are further described in the subsections headed “Electricity” and “Other energy resources” below.

Wastewater Control Measures

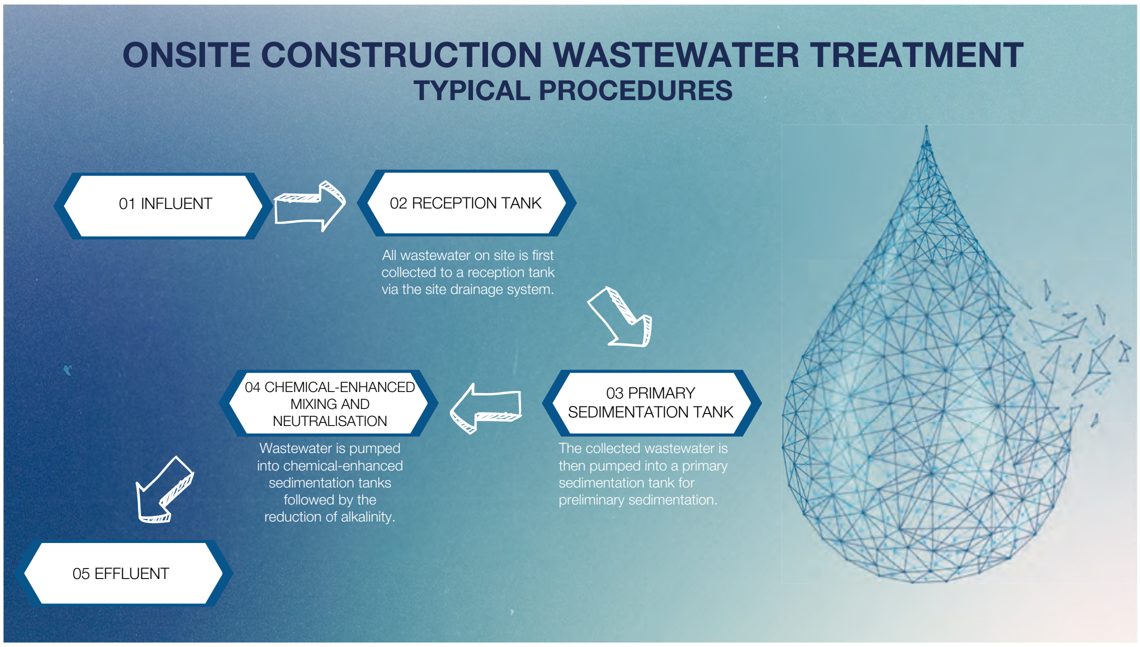
The Group closely monitor its water management and strive to reduce wastage across its business. Reckoning the significance of water conservation, the Group has been focusing on reducing wastewater generation and strengthening the reuse of water onsite. In FY2022, wastewater was mainly generated and discharged by the Group’s property development business and hotel operation business, which comprised of industrial sewage during the construction processes as well as the domestic and commercial wastewater from hotel guests, tenants and employees of the Group.

Taking FY2022 as the baseline year, the Group aims to maintain its wastewater discharge intensity of FY2023 within the same scope at the same level. To this end, the Group continues to uphold the principles of sustainable water management by promoting water conservation in workplace and providing relevant educational materials to its employees. Residential and commercial sewage is discharged into municipal drainage systems while wastewater from the construction sites is treated and discharged in accordance with relevant regulations.

Sewage treatment facilities have been installed in the construction sites which are regularly inspected by relevant departments of the Group and local governmental agencies to ensure regulatory compliance. The domestic wastewater is treated through three-level septic tanks, while construction wastewater is pre-treated by sedimentation basins onsite before being discharged into the municipal sewage network.

** English name is translated for identification purpose only*

The floating mud generated during the treatment process is normally collected and transported to external certified environmental organisations for further disposal. The Group ensures that its onsite wastewater after treatment meets the first grade under the Integrated Wastewater Discharge Standard (GB 8978-1996)* (污水綜合排放標準一級標準) of the PRC. The treated effluent is used for water testing of pipelines and non-portable water tanks, as well as for other construction operations, such as wheel-washing and dust suppression.



Solid Waste Control Measures

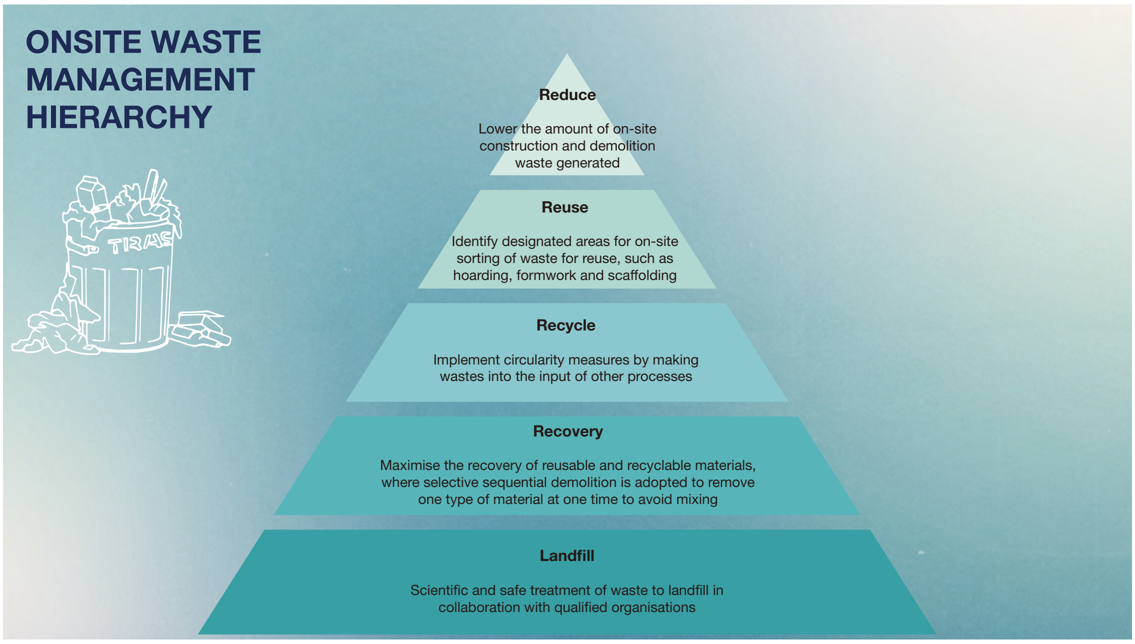
Due to its business nature, the Group reckons that the generation and disposal of solid waste is inevitable. In view of this, the Group has been implementing a comprehensive waste management approach in partnership with an external professional waste management organisation, which benchmarked the best practices in the industry.

Taking FY2022 as the baseline year, the Group aims to maintain its solid waste disposal intensity of FY2023 within the same scope at the same level. The Group practises a five-tier waste management strategy and aims to collect, sort, reuse, and recycle construction waste whenever possible based on the classification of different types of solid waste onsite, including inert, non-inert, soft, hard, recyclable, and non-recyclable wastes. For instance, rubble is collected, crushed, transported, and reused in new construction and road building projects. Steel residues and wooden square bars are collected and transported regularly to landfill sites for disposal by special trucks, while other domestic solid wastes are collected by the local government departments on a daily basis.

** English name is translated for identification purpose only*

Seeking to reduce and divert waste in its operations by enhancing operational efficiency, the Group ensures that its service providers will support waste reduction by standardising the use of materials during the design and building stages. The Group also requires its subcontractors to monitor and report on the waste generated and methods for disposal by category, in particular the storage and treatment of those containing hazardous substances to prevent the discharge of hazardous waste.

The Group promotes responsible consumption and upholds the idea of circular economy by improving resources use efficiency such as the application of recycled aggregates in construction projects to minimise the amounts of waste and reduce their environmental impacts.



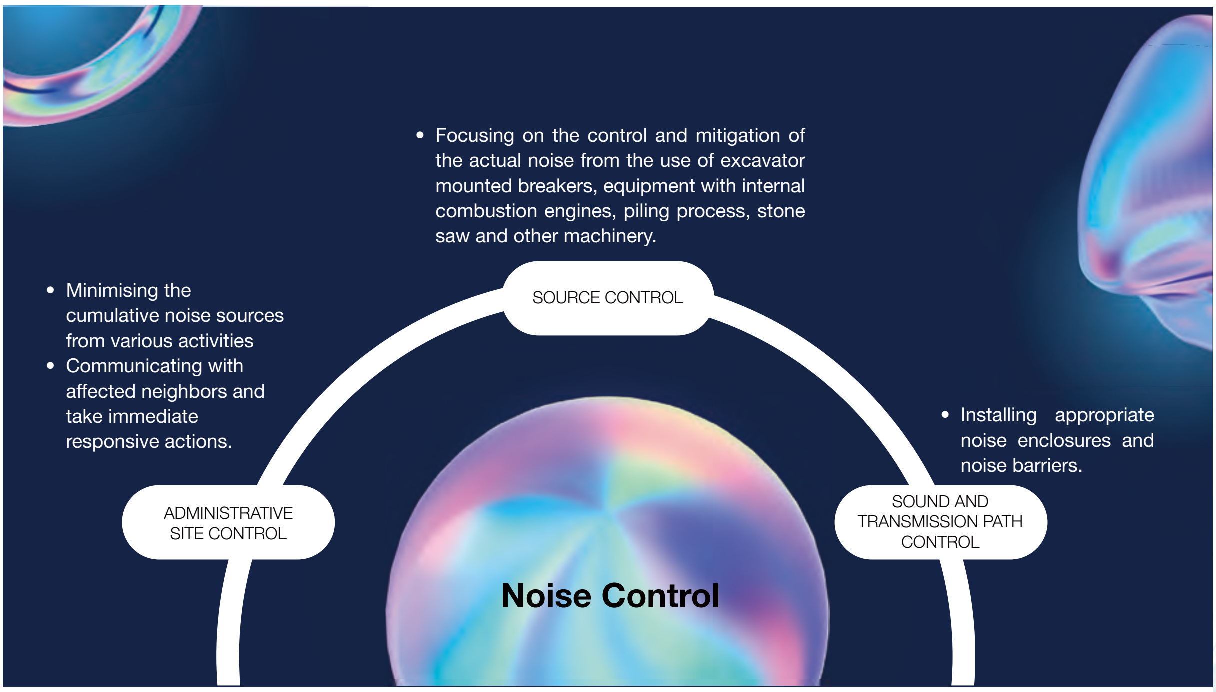
Staying in line with the waste management policies and initiatives of the national and local governments of the PRC, the Group carries out comprehensive planning for construction waste reduction and management before starting any site operations. As part of its environmental master strategy, a standardised waste management plan has been set up as guidance for setting scientific waste reduction targets, launching relevant programmes and arranging personnel responsible for onsite sorting of waste and supervision of the proper waste disposal process. External qualified organisations are also engaged to conduct waste management monitoring and audit programmes periodically.

Noise Control Measures

Noise emissions generated by the Group during FY2022 were mainly from the operations of onsite construction machinery and equipment. In strict compliance with the national and local regulations of the PRC in relation to noise emissions, such as the Emission Standards for Industrial Enterprises Noise at Boundary (GB12348-2008), the Group has implemented source control, sound transmission path control and administrate site control, together with the additional measures below to minimise the nuisance of noise during construction operations in the reporting year:

- Deploy materials and equipment such as shock pads, noise barriers, silencers, enclosures, and real-time sound monitoring equipment in the construction sites to mitigate the noise level;
- Restrict noisy operation and use of noisy equipment, such as hand-held breakers or electric drills, to fewer sensitive hours of the day;
- Adopt specifically arranged work hours and constructions methods including avoid carrying out noisy equipment at rest time or specific hours for particular groups of people (e.g., students); and
- Use quality powered machinery and equipment with register labels such as the QPME (Quality Powered Mechanical Equipment) Labels.

To ensure construction activities carried out are in strict compliance with statutory requirements and the above internal requirements, the Group has assigned staff to review the implementation of noise control measures and report their findings to management regularly.



A.2. Use of Resources

In FY2022, the primary resources consumed by the Group were electricity, water, gasoline, natural gas and paper. Given its business nature, the Group did not consume any packaging material during the reporting year. Table 2 illustrates the amounts of different resources used by the Group in FY2022 and FY2021.

Table 2 Total Resource Consumption of the Group in FY2022 and FY2021 [4]

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity[1] (Unit/ HK$ million) in FY2022	Amount in FY2021[2]	Intensity[2] (Unit/ HK$ million) in FY2021
Energy	Electricity	kWh'000	7,496	2.64	1,273	0.43
	Gasoline	L	50,762	17.88	42,175	14.13
	Natural Gas	m^3	479,678	168.97	0	0
	TOTAL[3]	kWh'000	13,184	4.64	1,682	0.56
Water	Water	m^3	575,430	202.70	383,107	128.34
Paper	Paper	Kg	3,405	1.20	1,708	0.57

1. *Intensity for FY2022 was calculated by dividing the number of resources the Group has consumed in FY2022 by the Group's revenue of approximately HK$2,838.8 million for FY2022;*

2. *The amount and intensity in FY2021 were extracted from the data in the ESG report for FY2021;*

3. *The methodology adopted for energy conversion and calculation set out above was based on "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; and*

4. *In the table above, the environmental data in relation to the Group's hotel operation business (the operation of which commenced in December 2021) has only been accounted for in FY2022. As such, no direct comparison should be made between the data of FY2022 and FY2021 for any meaningful conclusions.*

Electricity

The electricity consumed in daily operations at the offices, hotels and construction sites of the Group was purchased from local public utility companies. In response to the national direction of expediting the development of new energy systems, the Group is committed to improve its energy efficiency for alignment with the ambitious goal of the PRC government.

In FY2022, the total electricity consumption of the Group surged by nearly five times as compared to that in FY2021, principally due to the inclusion of the hotel operation business in the Group's ESG reporting scope for the first time in FY2022. Notwithstanding that, the Group continues to persevere with its fundamental policy of conserving energy resources and protecting the environment. The Group, taking FY2021 as the baseline year, targeted that its electricity consumption intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's electricity intensity within the same scope achieved the target set with a drop of approximately 24% as compared to that in the previous year. Taking FY2022 as the baseline year, the Group aims to maintain its electricity consumption intensity of FY2023 within the same scope at the same level. To achieve this target, the Group has widely promoted the application of energy-saving technologies and equipment in its business operations, while exploring new alternatives to drive its energy optimisation. Designated staff has also been appointed to act as internal representatives for coordinating energy saving programmes held within or outside the Group. In particular, the Group has implemented the following practices:

- Extend the use of renewable energy by installing solar panels;
- Replace energy intensive lighting with LED bulbs;
- Adjust the optimal temperature of air conditioners at offices based on weather;
- Use multiple light switches for separate zones to facilitate partial lighting in areas when it is only partially occupied;
- Adopt natural or mechanical ventilation to reduce the reliance on air-conditioning;
- Install motion sensors to automatically control the lighting in public areas including corridors of the building; and
- Use electrical appliances that are considered to have high energy efficiency on the energy label.

The Group has also initiated environmental campaigns and arranged relevant seminars to educate all its employees to reduce energy consumption, with maximising daylight usage as one of the methods. In relation to the non-operational areas of the Group, inspections will be conducted by designated staff every day after office hour to ensure all idling electrical appliances have been switched off.

Other energy resources

In FY2022, the Group consumed gasoline mainly for its transportation purposes, while natural gas was consumed by the hotels operated by the Group as boiler fuel. Realising that the consumption of fossil fuels for its vehicles are highly correlated to its environmental performance, the Group has been dedicated to implement a systematic vehicle management to reduce fuel consumption thereby lowering its emissions and mitigating climate change.

In FY2022, the amount of gasoline increased by approximately 20% as compared to that of FY2021, mainly due to the Group's hotel operation business which commenced operation in December 2021, as well as the increase in fuel consumption of the Group's vehicles for business travel. The Group, taking FY2021 as the baseline year, targeted that its gasoline consumption intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's gasoline intensity within the same scope did not meet the target with a slight increase by approximately 3.72 L per HK$ million. Given the Group's commitment in prioritising less polluting fuel, diesel-fuelled vehicles have been eliminated from the Group's operations for the second year. The Group is looking to optimise its operations, particularly in searching for alternative cleaner fuels as a principal source for its vehicles.

Taking FY2022 as the baseline year, the Group aims to maintain its energy consumption intensity of FY2023 within the same scope at the same level. To accomplish its goal, the Group supports low-carbon transport in its operations by promoting the use of mass transit among its employees, and the adoption of alternative means of transport, including electric vehicles and carpooling.

In addition, the Group has also particularly brought in the following measures in an effort to improve its energy use efficiency in view of the new consumption of gaseous fuel during the year under review:

ENERGY CONSUMPTION CONTROL

POLICY SETTING

The Group keeps formulating and refining its internal policies which specify the procedures of work and has committed to introducing KPIs in managing its fuel use by standardising the practices of its workers.

SOURCING PRACTICE

As energy efficiency is foundational to its cost savings and the delivery of its environmental commitment while the use of vehicles and boilers will have a footprint on the environment, the Group is committed to give energy-efficient vehicles and equipment a high priority in its operations.

OPERATION CONTROL

The Group takes a proactive approach in assessing and training its drivers, enabling real-time routing and scheduling of vehicles and regulating the drivers' driving habits that may increase the Group's fuel consumption, such as speeding, harsh acceleration, harsh braking and unnecessary idling. Boiler operators of the Group are also trained to adopt practices that are energy efficient and to pay attention to the optimal state of the equipment so as to prevent excessive consumption of gas.

MAINTENANCE

Regular maintenance is important to fuel conservation and emission control. The Group requires its employees to regularly check the performance of the vehicles and boilers, and perform maintenance in a timely manner, such as quality check of gas valves, spark plugs, regreasing, topping up, or renewal of lubricants for engine and gearboxes.

KNOWLEDGE SHARING

The Group raises the green awareness of its staff through lectures, meetings and training programmes regarding sustainable practices such as green travelling and introduction of leading practices, techniques and management approaches in advancing operations.

The Group will continue its efforts to create a green environment with a "low carbon and low consumption" approach in its daily operations and keep on improving its energy efficiency by researching on the application of more clean energy resources and energy efficient measures in the future.

Water

Due to its business nature, water consumption is inevitable for the Group in its property construction, as well as hotel operation. In FY2022, the Group did not face any problem in sourcing water that was fit for its purpose.

In FY2022, the water consumption of the Group rose by 50% principally due to the Group's hotel operation business which commenced operation in December 2021. The Group, taking FY2021 as the baseline year, targeted that its water consumption intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's water intensity within the same scope did not meet the target set with a slight increase by 9% as compared to the previous year. Nonetheless, the Group continues to practise sustainable water management to promote water-saving through launching policies covering specifications and recommendations on using water smartly and taking effective measures during its operations.

Demonstrating its commitment to water conservation, the Group takes FY2022 as the baseline year and aims to maintain its water consumption intensity of FY2023 within the same scope at the same level. Making every effort to improve its water management, the Group encourages all its employees to reduce and reuse water through an integrated water management approach. In particular, banners are posted on prominent places such as washrooms and pantries to raise staff awareness, while water-saving facilities, such as flow controllers, dual flush toilets, automatic faucets are installed. Moreover, a rainwater harvesting system is also in place to recycle wastewater for landscaping, cleaning outdoor public spaces and other uses. The Group conducts regular inspections and timely fixes onsite water supply systems, adjusts the water supply according to seasons and resting time, and sets quotas and targets for water consumption restrictions.

Paper

As part of its goals to achieve resource optimisation, the Group is committed to utilising technology to minimise the use of paper resources. In particular, the Group endeavours to create a paperless workplace by accessing, storing, and securing documents in digital ways, thereby eliminating, or reducing the need for printing.

In FY2022, the amount of paper consumed by the Group increased by approximately 1,697 kg mainly due to the Group's hotel operation business which commenced operation in December 2021. The Group, taking FY2021 as the baseline year, targeted that its paper consumption intensity in FY2022 within the same scope would not be higher than that in FY2021. In FY2022, the Group's paper consumption intensity within the same scope did not meet the target with an excess of 0.33 kg per HK$ million as compared to that of the previous year. In consideration of its environmental impacts, the Group takes FY2022 as the baseline year and aims to maintain its paper consumption intensity of FY2023 within the same scope at the same level. Specific measures taken by the Group to reduce its use of paper are highlighted as follows:

- Promote office automation, disseminate documents and messages by electronic means (i.e. emails or e-bulletin boards);
- Give priority to eco paper instead of virgin paper;
- Reuse and recycle the folders in the offices;
- Use transit envelopes where covers are necessary for the despatch of documents within the Group;
- Set duplex printing as the default mode for most of the network printers;
- Put a single-sided paper collection box and recycling box near the photocopiers;
- Encourage the staff to reuse one-side printed papers as drafts; and
- Select paper suppliers with sustainably sourced materials for procurement.

Raw Materials

Raw materials are mainly consumed by the Group in its property development projects. Aiming to achieve global green buildings standards such as Leadership in Energy and Environmental Design (LEED) certification and Building Research Establishment Environmental Assessment Method (BREEAM) certification in its projects, the Group has integrated a range of relevant criteria into its building material selection process, arching over sustainable material procurement, property delivery, conservation of natural resources, improvement of indoor air quality and waste management.

The Group takes the environment into consideration while sourcing and evaluating environmentally friendly products. The Group has strict policies to ensure that building materials are non-hazardous (e.g., no volatile organic compounds (VOCs), urea-formaldehyde, or other chemicals of concern are used), and are consumed in the most productive and sustainable way throughout their entire life cycle. Meanwhile, the Group gives green construction materials and locally available construction materials priority to reduce the embodied impacts related to energy, waste, carbon and water. For instance, the Group uses aerated blocks to reduce the weight of the walls, new polymer waterproofing membranes to prevent water penetration and hollow glass tiles for insulation.

During its construction operations, the Group has also adopted the following practices:

- Consider the whole life-cycle by applying the “cradle-to-cradle” approach while sourcing;
- Prioritise the procurement of recycled and reclaimed raw materials for construction;
- Optimise construction procedures at the planning and design stage to improve the efficiency of material utilisation;
- Integrate the concept of modular construction in project planning and construction operations, including the application of the Prefabricated Prefinished Volumetric Construction (PPVC) method; and
- Ensure that the waste management strategies have covered the entire process, from project planning and design, construction, demolition, disposal of waste, to waste haulage and final disposal.

Control Measures of Emission and Use of Resources by Hong Kong Office

The Group aims to maximise its resource conservation and reduce the related environmental impacts in its operations. The Group has taken the initiative to engage in various environmental campaigns in its Hong Kong office, with a particular focus on programmes and practices in relation to energy efficiency and sustainable waste management.

In support of Hong Kong's Climate Action Plan 2030+ which targets at a 65-70% reduction in carbon intensity by 2030 from the 2005 levels, the Group is committed to identifying and implementing energy conservation measures that optimise resources consumption in its office operations. Lighting fixtures of the Group's Hong Kong office have been replaced by high-efficiency LEDs and fluorescent lamps so as to conserve energy resources while improving the lighting quality to create healthy indoor environments for its employees at the same time. Meanwhile, the Group is also committed to the following initiatives:

- Give priority to equipment with automatic low power mode or energy saving mode;
- Establish energy saving policy and guidelines with clear targets set up for continual improvement and awareness building;
- Monitor equipment operations by performing energy audits on a regular basis;
- Switch off the air-conditioners in the meeting rooms immediately after use and affix "Save Energy" posters at the entrance of the meeting rooms as reminders for the staff; and
- Encourage the employees to unplug equipment chargers, adapters and other AC power plugs when they are not in use.

PARTICIPATION IN ENVIRONMENTAL CAMPAIGNS OF TWO IFC, HONG KONG in FY2022

In February 2022, the Group was invited by the Two IFC to take part in the activity of "Peach Blossom Recycling Program" organized by the Hong Kong Environmental Protection Department, under which undecorated peach blossoms were collected and delivered to Tuen Mun for further processing. The recycled peach blossoms would be turned into various valuable resources such as mulches and composting materials, reducing the heavy burden on landfills. Recycling is also a fundamental component of circular economy that increases the efficiency of primary resource consumption.

Chinese New Year is a traditional festival that is significant for Chinese, which involves the distribution of red packets as a common practice to symbolize good luck, while the used red packets are generally disposed of in the landfills despite being in good shape. To encourage waste reduction, in February 2022, the Group participated in the Chinese New Year Red Packet Recycle Program organized by the Two IFC, under which the employees of the Group working in the Two IFC office collected used red packets for recycling.

Earth Hour is one of the world's largest environmental movements that showcases collective efforts from the human society, encouraging people and organisations from all backgrounds to switch off lights for an hour, and make small changes in life to help create a sustainable world. On 26 March 2022, the employees of the Group working in the Two IFC participated in the Earth Hour, which they have supported for years. The Group strives to take collective actions with the community to produce positive environmental impacts, contributing to conservation of energy and climate change mitigation, as well as encouraging its employees to adopt green living styles.

Mid-autumn festival is another traditional Chinese festival being celebrated annually. In September 2022, an event was organised by the Two IFC aiming at raising the tenants' awareness of waste reduction, apart from the charity function to support people in need. Clean metal mooncake boxes were collected and sold, with the proceeds donated to St. James' Settlement People's Food Bank, a multi-social service agency which provides quality comprehensive services meeting the diverse social needs in Hong Kong. The Group saw such mooncake box recycling a meaningful project that helped to create a sustainable society, hence encouraging all its employees working in the Two IFC to participate in the event.

Christmas is a festive period that sees lots of decorations in the community, including numerous Christmas trees. To reduce waste disposal at the landfills, the Two IFC invited its tenants to join the "Natural Christmas Tree Recycling Programme 2022" organized by the Hong Kong Environmental Protection Department. Undecorated Christmas trees were collected and delivered to Y Park, where the trees would be recycled into useful materials. The Group considered that it was important to minimise waste while celebrating festivals, thus the trees in its Hong Kong Office in Two IFC were collected for recycling.

PARTICIPATION IN ENVIRONMENTAL CAMPAIGNS OF TWO IFC, HONG KONG in FY2022

The Group strives to provide a green working environment for its employees, and the Two IFC has been proved an ideal site after receiving multiple awards in the reporting year. In May 2022, the Two IFC was accoladed the Platinum Certificate under Leadership in Energy and Environmental Design (LEED) v4.1 Operations and Maintenance: Existing Buildings rating system by the U.S. Green Building Council. Receiving a LEED certification is a sustainability achievement recognized globally, demonstrating the prolonged commitment to providing a green environment by the Two IFC.

The air quality in the workplace is vital to the health of employees. In June 2022, the Two IFC was awarded the Indoor Air Quality Certificate by the Hong Kong Environmental Protection Department, as an appreciation for fully complying with the Indoor Air Quality Objectives requirements of the "Excellence Class" in the entire building. The award demonstrated the perseverance of the Two IFC in maintaining a high indoor air quality, providing a desirable environment for its tenants, as well as raising public awareness of the importance of indoor air quality.

In terms of the performance of waste reduction, the Two IFC was awarded the Wastewi$e Certification – Good Level by the Hong Kong Green Organisation Certification in 2022, recognizing its efforts in implementing appropriate measures to minimize waste generation during operations. During the year under review, the Two IFC was dedicated to environmental protection and had engaged its tenants including the Group in applying the 3R principle – "reduce, reuse and recycle" in waste management. The Two IFC has performed strict in-house monitoring of its waste management practices on a regular basis and maintained consistent dialogues with its stakeholders to promote green operations.

In recognition of its outstanding performance in green operations, the Two IFC was awarded the first-ever GBA Low Carbon Buildings Top 100 Award by the Greater Bay Area Carbon Neutrality Association in December 2022, which helped to raise the community's awareness of the importance of low carbon buildings. The Group sees the importance of reducing carbon emissions in its operations. Having its Hong Kong office located in a low carbon building is part of the Group's contribution to help China to achieve carbon neutrality by 2060.

Control Measures of Emission and Use of Resources by Property Development Business

The main emissions generated from the Group's property development business during FY2022 included air and GHG emissions, solid waste, wastewater and noise emissions. As an enterprise that is dedicated to maintain environmental sustainability, the Group has followed top-tier sustainability standards and carefully balances development and the environment by integrating environmental concepts throughout the property development lifecycle, from planning and design to construction and operation. To monitor its potential or actual environmental impacts in all stages of its operations, the Group assesses its environmental performance on a continuous basis to ensure that its business operations have acted responsibly.

Control Measures of Emission and Use of Resources by Property Investment and Hotel Operation Business and Project Management Business

Since the business activities of the Group's property investment and project management segments mainly consist of office operations, the major emissions from these two business segments of the Group during FY2022 were the domestic and commercial solid waste and sewage generated from the Group's offices. In FY2022, the Group laid great emphasis on the management of its daily waste generation in the office and aimed to minimise its environmental impact at source by rigorously controlling the use of resources following the "3R — Reduce, Reuse and Recycle" principles. Following the national policy of the PRC which sees single-use plastic straws and non-degradable shopping bags banned in major cities to reduce plastic waste in the country, the Group is dedicated to phase out the single-use plastic and disposable utensils and dishware in its offices by encouraging its employees to eliminate the waste of packaging materials by bringing their own lunch boxes. Further measures taken by the Group have been described in the subsection "A.2 Use of Resources" above.

In relation to the Group's hotel operation business which commenced operation in December 2021, the Group seeks to reduce and minimise the environmental impacts of the hotels under its operation through optimising the daily operating practices as well as enhancing a "green awareness" among its staff through various activities. In particular, the Luhu Hotel has launched a "Energy Saving Competition" in FY2022 to encourage its employees to conserve energy resources while incentivising them by granting awards to winners who have saved the most energy. With the effective implementation of the initiative, the energy consumption of the Luhu Hotel has dropped by approximately 11% during the year under review as compared to that of the previous year, during the first eleven months of which this hotel was operated by a third party independent of the Group. In the meantime, the Vlamhoo Hotel has also conducted training and other activities, including "Training on Energy Conservation in Office Area" and "Waste Sorting Promotion Campaign" to foster the "go-green" awareness among its staff.

PRIORITISATION OF ENVIRONMENTAL SUSTAINABILITY GOALS

The environmental targets of the Group have been built upon its commitment to continuously lowering its environmental impacts through business advancement and the integration of ESG management concepts and approach into its operations. The Group is committed to setting science-based goals and plans for improving its environmental performance by benchmarking against global leading practices and well-defined criteria.

SYSTEMATICALLY

Assess the Group's life cycle ecological footprint and exposure to various environmental risks.

CONSISTENTLY

Abide by applicable environmental laws and regulations in the regions where the Group operates.

APPROPRIATELY

Set and make progress towards GHG emission reduction targets with reference to the science-based targets initiative.

GRADUALLY

Take into consideration the climate-related implications on the long-term business development and operations of the Group through scenario-analysis by adopting the TCFD framework.

SIGNIFICANTLY

Lower the Group's reliance on traditional energy resources in its operations and improve its energy use efficiency.

RESOLUTELY

Work on the transformation from silo-thinking amongst sector participants, clients and suppliers to a holistic, whole life cycle approach and circular economy thinking through education and initiatives taken by the Group.

A.3. The Environment and Natural Resources

Striving to act in alignment with the national approach in accelerating the building of ecological civilisation and to build a Beautiful China, the Group keeps enhancing its sustainability performance and continues to progress towards the achievement of its environmental targets for sustainability on the Group level. The Group keeps abreast of the international environmental standards and frameworks, while ensuring its strategies and initiatives adhere to the relevant local environmental laws and regulations of the PRC. Striving to be a role model for the real estate sector in the PRC, the Group is committed to integrating green building features into its new property developments projects and adopting best practices that will improve its environmental performance during operations.

In FY2022, the Group tracked and analysed its sustainability performance and once again identified the generation and disposal of waste, the exploitation of energy and natural resources, as well as the corresponding GHG emissions as its main environmental impacts that should be addressed.

Recognising its roles and responsibilities, the Group has adopted sustainable practices consistently throughout the life cycle of its property development operations, from land use planning, project preparation, building design, vehicle management, noise abatement, procurement of low impact building materials, all the way to the delivery of the final property. Reckoning the increase in environmental impacts caused by its new hotel operation business, the Group has paid particular attention to the environmental control measures in the daily operations of this business segment. In particular, the Group has put its major focus on the following areas in advancing sustainable practices:

Energy Efficiency

The Group has set up internal policies, such as the "Notice on Strengthening Office's Energy Saving and Consumption Reduction"* (關於加強辦公室節能降耗工作的通知) and the "Notice on Implementing Office Energy – Saving Inspection System"* (關於實施辦公室節能降耗巡查制度的通知) that regulate the daily practices of all the subsidiaries of the Company. Also, the Group has developed and advocated the deployment of "Smart Energy Management System"* (智慧能源管理系統) in its operations, which can increase its energy efficiency while lowering its emissions from the use of resources.

** English name is translated for identification purpose only.*

Resources Conservation

Given the adverse environmental impacts of massive fossil fuel consumption, the Group has been committed to controlling its use of gasoline and natural gas through various means and is dedicated to "greener" options that are more environmentally friendly. Also, the Group has formulated strict rules in controlling the use of tissue and toilet paper, and disseminated the conservation spirit to various subsidiaries of the Company through notices and training.

Sustainable Waste Management

In its property development, the Group follows the preferred order in onsite waste management, namely avoidance, minimisation, recycling, treatment and disposal. The Group has set up a comprehensive waste management plan that identifies major waste types and defines ways for waste reduction and organises onsite sorting areas, practices, and personnel responsible for the supervision before operations commence. In addition, the Group also emphasises the training of sustainable practices in waste management and chemical waste handling procedures. In its office operations, the Group has resolutely responded to the countrywide solid waste sorting policy by promoting the dissemination of the concept of "3R-Reduce, Reuse and Recycle".

In response to the environmental deterioration and climate emergency, the Group has strengthened the integration of environmental considerations into its business operations. With its commitment to sustainability being enshrined in the Group's ESG policies, which are developed in a future-proof and environmentally sustainable manner, the management and all staff of the Group, under the leadership of the Board, will continue to enhance the Group's environmental performance and seek opportunities to innovate on its business operations towards sustainability.

A.4. Climate Change

In view of the growing concerns on climate-related issues and the increasingly stringent requirements on climate-related disclosures, the Group realises that climate change is going to pose immense impacts on the world and the business operations of the Group. As one of the industry leaders, the Group is dedicated to enhancing its climate resilience and establishing mitigation actions with reference to the recommendations of the TCFD framework in identifying its potential climate-related risks and opportunities.

Acute physical risks such as extreme weather events including flooding and typhoons may occur with more frequency and intensity, damaging the Group's properties and causing delays to its property development projects. The Group may need to spend more operating costs to improve its standard of property construction, particularly the strengthening of its safety requirements and standards.

Chronic physical risks such as changes in rainfall patterns and sea levels rise may lead to flooding, which could damage the Group's assets and facilities. Acknowledging that the Group's key assets and property development projects mainly located in regions such as Guangzhou which are subject to higher risks, the Group is particularly concerned with the potential impairment of its assets and the potential raise in its maintenance costs in case extreme weather events occur.

CLIMATE MITIGATION

The Group has carefully identified and evaluated the relevant and material physical and transition risks of climate change with a comprehensive review of various climate scenarios and transition pathways. To sequester carbon emissions from its business, the Group is committed to investing in renewable energy, finding alternative cleaner solutions powering its operations, improving energy saving measures, and using low carbon construction materials. The Group has taken part in numerous carbon offset schemes over the years and planted a total of over 400 trees since its inception, which have absorbed and stored carbon dioxide equivalent to approximately 10.4 tonnes during FY2022.

CLIMATE ADAPTATION

To strengthen its resilience to face the imminent climate-related risks, including more frequent typhoons, flooding and wildfires, which may lead to delay in construction plans and increase in repair or replacement costs of damaged or destroyed properties, the Group keeps promoting applied research in relation to climate-related risks and other hazards that are material to the Group and factoring all the possible impacts into future project planning and design, property investment and project management.

Apart from physical risks, the Group also pays attention to the climate-related transition risks that may pose significant impact on its business. With the PRC's ambitious carbon neutrality target by 2060, and the new assessment standard for green building (GB/T50378 — 2019) being approved by the Ministry of Housing and Urban-Rural Development ("MoHURD")* (中華人民共和國住房和城鄉建設部) as a national standard, as well as seeing the gradual promotion of green urban renewal of the PRC, the Group sees the stricter mandates on and regulations as one of its significant climate-related transition risks. Meanwhile, the Group has also identified that the shift in consumers' preference and the increased costs of raw materials will have potential impacts on its operating costs and revenues as well as the stability of its supply chain.

Nevertheless, the Group strives to manage these risks through monitoring the market's interest in sustainable buildings while viewing this as an opportunity which may bring new business potential to the Group. Amid the increasing market demand for green buildings, the Group may incorporate climate-resilient elements into its development plan and continue to enhance the performance of its properties, which may ultimately lower operating costs while increasing business opportunities.

In the meantime, the Group will consider more factors before making significant decisions such as starting a development project, including cost, certification, and additional workflows in the construction process. Furthermore, the Group will also integrate ESG elements in its development blueprints as instructed in the "Implementation Opinions of the Guangzhou Municipal Committee of the Guangzhou Municipal People's Government of the Communist Party of China regarding the Deepening of Urban Renewal for Promotion of High-Quality Development"* ("中共廣州市人民政府廣州市委關於深化城市更新工作推進高質量發展的實施意見").

Looking forward, the Group will make timely response to the market and the government's expectation and optimise its operating policy and strategy to meet green building-related and climate-related requirements.

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VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

Reckoning that talents are one of its most valuable asset, the Group is committed to fostering a human-centered and harmonious workplace which embraces diversity and prioritises wellness. The Group has always been focusing on recruiting and retaining talents, investing in its people and providing them with ample support.

As of the end of FY2022, the total number of employees of the Group was 883. Details of the Group's demographics can be found in the Table 3 and Table 4 below.

Table 3 — Total Workforce of the Group by Gender, Position Type, Age and Geographical Location in FY2022[1]

Unit: Number of employees	Age group				
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	Total
Male	75	133	140	49	397
Female	98	200	153	35	486
Total	173	333	293	84	883

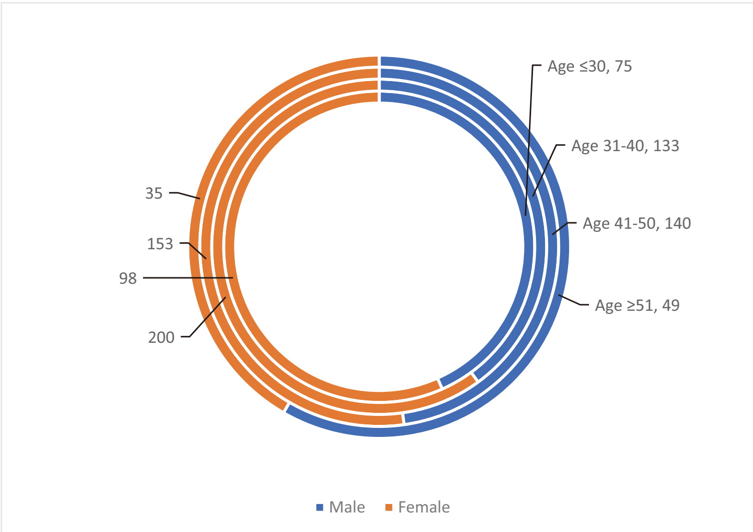
Unit: Number of employees	Position type			
Gender	General staff	Middle managerial level	Senior managerial level	Total
Male	290	80	27	397
Female	428	50	8	486
Total	718	130	35	883

Employment type		
Full time	Part time	Total
883	0	883

Geographical location	
PRC (including Hong Kong) [2]	Total
883	883

1. The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covers employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and

2. The Group included the employee data of its Hong Kong operations in the PRC categorisation in FY2022.



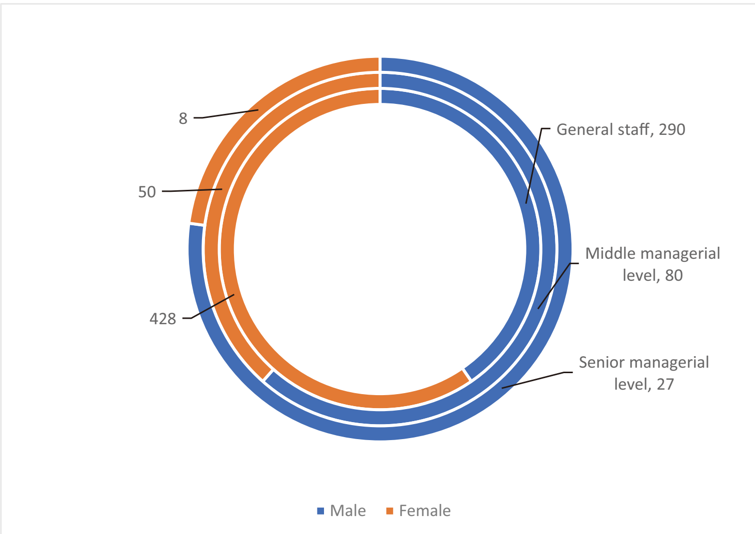


Table 4 — Employee Turnover by Geographical Location, Gender, and Age in FY2022[1]

Unit: Number of employees	Age group				
Gender	**Aged 30 or below**	**Aged between 31 and 40**	**Aged between 41 and 50**	**Aged 51 or above**	**Total**
Male	63	46	23	13	145
Employee turnover rate	84%	35%	16%	27%	37%
Female	64	64	39	16	183
Employee turnover rate	65%	32%	25%	46%	38%
Total	127	110	62	29	328
Employee turnover rate	73%	33%	21%	35%	37%

Unit: Number of employees	Geographical location PRC (including Hong Kong) [2]
Total	328
Employee turnover rate	37.1%

1. *The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2022 by the number of employees as at 31 December 2022. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and*

2. *The Group included the employee data of its Hong Kong operations in the PRC categorisation in FY2022.*

Law and Compliance

The Group updates and adjusts its employment policies regularly to cater to social changes and comply with the relevant laws and regulations in its operating regions. In FY2022, the Group abided by the material relevant laws and regulations, including but not limited to:

- *Employment Ordinance (Cap. 57 of the Laws of Hong Kong);*
- *Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);*
- *Labour Law of the People's Republic of China* (中華人民共和國勞動法);*
- *Employment Promotion Law of the People's Republic of China* (中華人民共和國就業促進法);*
- *Labour Contract Law of the People's Republic of China* (中華人民共和國勞動合同法); and*
- *Insurance Law of the People's Republic of China* (中華人民共和國社會保險法).*

In compliance with the national and local employment requirements, the Group pays remuneration that observes the minimum wage standards and contributes to social security, which is commonly known as the "five insurances and housing provident fund" (五險一金) for its employees in the PRC, and the Mandatory Provident Fund Scheme (MPF) and medical insurance for its employees in Hong Kong.

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Recruitment and promotion

Top talents play an important role in the Group's strategic planning on continuous growth, thus the Group is proactive in retaining its employees and recruiting new members with development potential. The Group considers talent acquisition as a necessary step to stay energetic and maintain its competitiveness in the market. Hence, the Group has set up a set of transparent and clear internal policies to implement its annual recruitment plan, including the "Human Resources Management Procedures"* (人力資源管理辦法) and "Recruitment Management Regulations"* (招聘管理規定). To attract high-calibre candidates, the Group offers fair and competitive remuneration and benefits with reference to various factors, including the applicants' educational backgrounds, personal attributes, job experiences and career aspirations.

In FY2022, the Group organised several job fairs and campus recruitment. Over the years, the Group has long been organising the "Chasing Light" programme, which is designed to equip local young talents with skills to pursue their dreams, while empowering them with the knowledge to become the leaders of tomorrow by keeping in mind the "Zhuguang people will always start a business" culture of the Group. Through the programme, the Group aims to set a stage and provide opportunities for college graduates to kick-start their career, boost their confidence on their paths of pursuing dreams together with the Group.

The Group expresses its appreciation and recognition to staff with outstanding performance and contribution through appraisals and career progressions. With reference to the Human Resources Management Policy of Zhuguang Group"* (珠控集團人力資源管理辦法) and "Staff Handbook"* (員工手冊), the Group provides equal opportunities of promotion and development for eligible employees with exceptional performance and potential through clear and legitimate procedures.

Compensation and dismissal

The Group provides competitive packages to attract and retain talents. To maintain competitiveness, the Group regularly reviews its compensation packages and performs probationary and regular evaluations on the capability and performance of its employees, so as to ensure that outstanding employees can be recognised by the Group appropriately based on their efforts, performance and contributions.

The Group strictly prohibits any form of unfair or illegitimate dismissal, therefore stringent policies have been established to regulate the procedures of the dismissal of employees. In case any employees were found violating the Group's employment policies, the Group will issue a verbal warning before issuing a warning letter. For employees who keep on making the same mistakes repeatedly despite being warned, the Group will terminate their employment contracts according to the relevant laws and regulations in its operating regions.

Although compensation adjustment and employment termination are determined by various factors, such as the performance of the relevant employee, the Group assures that all decisions are made based on reasonable and lawful grounds along with the internal policies of the Group, such as the "Staff Handbook"* (員工手冊) and the "Implementation Rules for Staff Turnover and Movement on Positions"* (員工異動管理實施細則).

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Working hours and rest periods

The Group's internal policies on determining the working hours and rest periods for its employees, such as the "Implementation Rules for Attendance"* (考勤管理實施細則), are designed and implemented in accordance with local employment laws, such as:

- *Labour Law of the People's Republic of China* (中華人民共和國勞動法);*
- *Legal Protection of the Rights and Benefits of the Peasant Workers* (勞動保障監察條例); and*
- *Provisions of the State Council on Employees' Working Hours* (國務院關於職工工作時間的規定).*

To monitor the working hours of each employee, the Group implements a clock-in system and adopts an attendance management system which comes with a field work registration form (外勤登記表). Employees are required to fill the form in detail before passing to the relevant department manager for approval, thus ensuring that those who have worked overtime will be eligible to receive overtime pay or compensation leave according to the relevant laws and regulations.

In addition to basic annual leave and statutory holidays, employees of the Group are also entitled to extra leave benefits, such as maternity leave, bereavement leave and paternity leave.

Equal opportunity, diversity, and anti-discrimination

The Group is committed to fostering a diversified and inclusive workplace that enables people with different backgrounds to work together and thrive. As an equal opportunity employer, the Group has always been placing the respect for employees as the core pillar of its development strategy. The Group's policies regulating equal opportunity and anti-discrimination daily corporate practices stipulates its commitment to human rights, equal opportunities and inclusive excellence in a discrimination-free workplace. The Group strictly observes the applicable anti-discrimination laws and regulations in Hong Kong and PRC, including but not limited to:

- *Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);*
- *Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong); and*
- *Employment Promotion Law of the People's Republic of China*(中華人民共和國就業促進法).*

The Group ensures its basis of hiring, training, promotion opportunities, dismissal, and retirement policies are not affected by non-job-related factors, such as age, sex, marital status, family status, pregnancy, disability, race, colour, descent, national or ethnic origins, nationality and religion.

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Meanwhile, having zero tolerance of any workplace discrimination, harassment or vilification, employees are encouraged to report any incidents involving discrimination to the Group's Human Resources Department, which is responsible for assessing, dealing with, recording, and taking any necessary disciplinary actions in relation to the substantiated cases.

The Group encourages ongoing dialogues between the management and general employees of the Group. The Office Automation (OA) system and Company Portal have been designed for employees to report on any issues and share innovative ideas within the Group, so as to facilitate a barrier-free communication across the Group.

Other benefits and welfare

The overall well-being of staff remains top priority across the Group. To improve their productivity and work-life balance as well as to provide enjoyable experiences outside of work, the Group has hosted regular entertaining and meaningful activities, such as movie screening, yoga lessons and festive events, in order to create a positive atmosphere among its employees. Birthday parties are also arranged quarterly to enhance the relationships among the employees. Moreover, the Group places high importance on the health of its employees, thus it provides medical check-ups to its staff members. In FY2022, due to the social distancing restrictive measures, the Group did not organise physical welfare activities for its staff.

In FY2022, the Group was in compliance with the relevant laws and regulations in relation to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To safeguard its people's health, safety and well-being, the Group strictly follows the applicable laws and regulations in the jurisdictions where it operates, including but not limited to:

- *Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);*
- *Construction Law of the People's Republic of China* (中華人民共和國建築法);*
- *Administrative Provisions on the Work Safety License of Construction Enterprises* (建築施工企業安全生產許可證管理規定);*
- *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例);*
- *Production Safety Law of the People's Republic of China* (中華人民共和國安全生產法);*
- *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (中華人民共和國職業病防治法);*
- *Regulation on Work-Related Injury Insurance* (工傷保險條例); and*
- *Warning Signs for Occupational Hazards in the Workplace* (工作場所職業病危害警示標識).*

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As part of its general practices, the Group purchases commercial insurance and employees' safety insurance, conducts safety training, implements an occupational health system, and organises physical examinations for its employees at the workplace on a regular basis to minimise their exposure to occupational health and safety risks.

The Group gives workplace health, safety and well-being a high priority and is dedicated to effectively manage and mitigate occupational risks and hazards across its operations through formulating and implementing its internal guidelines, which are aligned with the requirements of the Quality Management Systems (ISO 9001:2015) and the Occupational Health and Safety Management Systems (ISO 45001:2018).

All dangerous areas in the operating sites of the Group are required to be securely fenced to prevent accidents, while appropriate and adequate fire safety facilities are put in place and inspected on a regular basis to protect employees from fire hazards. Proper training and necessary protective equipment are also provided to the employees who undertake work requiring manual handling.

The Group also assesses and reviews its potential onsite safety risks regularly. The Engineering Management Department* (工程管理部門) of the Group is responsible for monitoring and providing guidance, as well as supervising construction work at the construction sites in accordance with the Group's policy, "Safe Production and Civil Construction Management"* (安全生產和土建施工管理). Upholding the principle of "Safety First, Precaution Matters"* (安全第一，預防為主), the Group has clearly defined the duties of different business units on the construction sites. Meanwhile, the Group's employees' awareness is also enhanced by regular training in safe production.

To minimise the safety risks onsite, the Administration Department of the Group organises regular emergency drills, holds regular health and safety work meetings and sets up safe and healthy work bulletin for the employees. The Human Resources Department of the Group is responsible for overseeing and supervising the implementation of the Group's health and safety policies.

As for employees stationed in the offices, the Group is committed to creating and maintaining a safe, clean, and environmentally friendly working environment, by ensuring that its indoor working environment has adequate lights and good ventilation. Designated employees have been appointed by the Group to manage the first aid tools and kits which are kept in the office premises. All work sites of the Group are well-stocked with unlocked first aid stations, and the emergency exits are unobstructed and unlocked from the inside at all times during working hours.

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Work-related injury and fatality

In FY2022, the Group had zero work-related fatality and 9 work-related injuries recorded, leading to 36 lost days due to work injury. During the year under review, the Group was in compliance with the relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group. The table below illustrates the data relating to the Group's work-related fatalities during FY2020, FY2021 and FY2022.

Table 5 — Number and Rate of Work-related Fatalities of the Group in the Past Three Years[1]

Year	FY2020	FY2021	FY2022
Number of work-related fatalities	0	0	0
Rate of fatalities as a result of work-related injury (per hundred workers)	0	0	0

1. *The fatality information was obtained from the Group's Human Resources Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.*

Response to COVID-19 Pandemic

During FY2022, the less deadly but more contagious Omicron variant of COVID-19 spread into China, which led to outbreaks and lockdowns in major cities in the country, including Shanghai and Guangzhou. Committed to its responsibility to ensure the health of its employees, the Group had formulated and implemented a series of pandemic prevention and control measures in compliance with the requirements of the national and local governments to prevent and reduce the risks of virus transmission at the workplace since the outbreak of the pandemic. The Group had established a Response Team to develop and oversee the implementation of a series of protective measures and programmes in response to the uncertainties which arose from market instability. Measures such as remote working and shift work had been adopted by the Group to minimise the risk of staff getting infected.

In FY2022, the Group highly encouraged its employees to adopt the following measures:

- Follow the latest information and updates on the pandemic;
- Maintain good personal and environmental hygiene habits at all times, such as washing their hands frequently with soap and water for more than 20 seconds;
- Cover mouths and noses with a tissue when sneezing or coughing, and throw the used tissue into a covered trash can and wash hands thoroughly;
- Seek medical treatment as soon as possible when feeling unwell and avoid continuing to work;
- Report to the administrative department of the Group if they have been in close contact with a person infected with COVID-19, and undergo home quarantine until the end of the quarantine period; and
- Disclose places visited during holiday to the respective administrative departments to consult whether mandatory COVID-19 testing are required.

The Group had also set up the following requirements to ensure a safe working environment and sufficient protections could be provided to its employees:

- Adjust the working hours and the production to allow flexible working arrangement;
- Carry out workplace sanitation every day;
- Require employees to measure their body temperature at the entrance of the construction sites and offices and disallow those with body temperature over 37.3°C to enter into its premises;
- Record employees' whereabouts during leave and manage them according to government announcements;
- Stay alert with the national and local government policies and apply for assistance when necessary;
- Require workers and clients to present a green health code before entering any working sites;
- Ensure used masks and tissues, wastepaper and other soiled items are disposed of appropriately;
- Ensure employees are adequately equipped with masks, gloves, disinfectant, thermometers and other necessary prevention and control materials; and
- Carry out risk assessments based on the developments of the pandemic from time to time and develop epidemic prevention plans accordingly.

In December 2022, the National Health Commission of the PRC announced a gradual relaxation of the COVID-19 pandemic restrictive measures as the country prepared to reopen. The Group will continue to review and adjust its COVID-19 pandemic prevention policies based on the latest government announcements, creating a more convenient and efficient work environment to employees while safeguarding their health at the same time.

B.3. Development and Training

The Group has always been putting great effort in unleashing its staff members' potential through providing them with a great variety of targeted training opportunities, aiming to enable its employees to develop their talents constantly so as to accomplish a collective growth with the Group.

As one of the essential part of its efforts in retaining employees and lifting their morale, the Group implements and acts according to the "Implementation Rules on Training"* (培訓管理實施細則) and the "Implementation Rules on Employee's Personal Development Management"* (員工個人進修管理實施細則) to arrange appropriate training packages and courses for its employees. In particular, induction training is provided to new hires to give them a comprehensive understanding of the Group in various aspects, including corporate culture, organisational structure and policies concerning occupational health and safety. Job-related training is also arranged for experienced staff according to both the corporate and individual needs in upskilling their professional skillset. In FY2022, 421 staff members of the Group received 6,942 hours of training as shown in Table 6 and Table 7 below.

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In view of the trend of digitalisation as well as the call for flexibility in time management, in FY2022, the Group utilised multimedia and online learning platforms, such as QingXueTang* (輕學堂) and DeDao* (得到) online training platforms, which enabled its employees to gain access to abundant learning materials at any time and place. The Group believes that the adoption of innovative training mode facilitates the interactivity and gamification of training, promotes efficient management and record, and allows employees with different needs and levels to progress at their own pace.

In order to meet the long-term development needs of the Group, employees are encouraged to take professional qualification examinations and enrol in external training programmes to further improve their professional skills, competitiveness and ability, thus enlarging their knowledge base and extending their horizons. The Group sponsors employees who have taken professional qualification examinations and obtained vocational qualification certificates relevant to their roles in the Group. In addition, the Group also collaborates with external organisations and experts in co-hosting seminars and training courses for its employees on a regular basis.

Table 6 — Number and Percentage of Employees Trained in the Group by Gender and Employee Category in FY2022[1, 2]

Total number of employees trained in FY2022	421
Number of employees in FY2022	883
Percentage of employees trained in the Group	48%

Unit: Number of employees	**Employee Category**			
Gender	**General staff**	**Middle managerial level**	**Senior managerial level**	**Total**
Male	105	59	16	180
Percentage of employees trained	25%	14%	4%	43%
Female	187	48	6	241
Percentage of employees trained	44%	11%	1%	57%
Total	292	107	22	
Percentage of employees trained	69%	25%	5%	

1. *The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2022. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and*

2. *Figures may not add up due to rounding.*

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Table 7 — Training Hours Completed in the Group by Gender and Employee Category in FY2022[1,2]

Unit: Training Hours	Employee Category			
Gender	General staff	Middle managerial level	Senior managerial level	Total
Male	1,869	825	249	2,943
Average training hours	6.44	10.31	9.23	7.41
Female	3,188	693	119	3,999
Average training hours	7.45	13.85	14.82	8.23
Total	5,057	1,518	368	6,942
Average training hours	7.04	11.67	10.50	7.86

1. *The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and*

2. *Figures may not add up due to rounding.*

B.4. Labour Standards

To prohibit any child and forced labour employment, the Group abided by the relevant laws and regulations in its operating regions in FY2022, including but not limited to:

- *Employment Ordinance (Cap. 57 of the Laws of Hong Kong);*
- *Labour Law of the People's Republic of China* (中華人民共和國勞動法); and*
- *Law of the People's Republic of China on the Protection of Minors* (中華人民共和國未成年人保護法).*

To prevent any illegal employment of child labour, underage workers and forced labour, the Human Resources Department of the Group strictly follows the verification procedures, requiring all job applicants to provide valid identity documents as a proof that they are lawfully employable prior to the confirmation of any employment. The Human Resources Department is also responsible for monitoring and assuring the compliance of corporate policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. If the Group has identified any case that fails to comply with the relevant labour laws, regulations or standards, the concerning employment contract will be immediately terminated, and corresponding disciplinary actions will be taken against responsible individuals. The Group will publish a notice of criticism throughout the entire organisation, so as to prevent similar cases from happening again.

In FY2022, the Group was not in violation of any relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

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OPERATING PRACTICES

B.5. Supply Chain Management

Aiming to promote a sustainable and responsible supply chain, the Group is committed to building stable and mutually beneficial relationships with its suppliers and sub-contractors through active engagement and management based on its internal supplier selection criteria, procurement process and management approach.

Supplier Engagement and Risk Management

The Group mainly collaborates with suppliers and sub-contractors from which it purchases intermediary services, information technology products, office supplies and engineering services for its construction projects. To ensure that the assessment, selection and contracting of suppliers and their corresponding performance management are consistently aligned with the relevant laws and regulations in the PRC, industry standards and the Group's internal requirements, the Group has formulated and implemented the "Implementation Rules for Cooperative Management"* (合作商管理實施細則) to standardise its supplier engagement procedures.

During the selection and engagement with suppliers, the Group evaluates potential partners based on a variety of business and ESG criteria such as their company size and creditability. As suppliers are required to comply with applicable environmental and social laws and regulations, sufficient and rigorous due diligence is also conducted to spot activities of the suppliers that may have material economic, environment or social impacts. In particular, the Group examines the environmental practices of its suppliers to assess whether they will cause major environmental hazards, and conducts analyses of the background of eligible tenderers based on their reputation, service/product quality, environmental management qualification, cost, production and technical capacity, as well as their business track record for the last 3 years and history of economic disputes with the Group and regulatory non-compliance. After the review and approval by the Group's Purchasing Department, qualified suppliers will be accepted by the Group, with their names included in the Group's "List of Qualified Suppliers"* (合格供應商名單). Striving to maintain a stable supply chain and avoid the monopoly of suppliers, the Group usually maintains collaboration with at least two qualified suppliers for each type of raw materials.

A sustainable supply chain relies greatly on suppliers adhering to the Group's standards and requirements. As such, the Group monitors and evaluates its suppliers' compliance and performance in accordance with its "Implementation Rules for Procurement Management"* (招標管理實施細則) and "Implementation Rules for Evaluation on Construction Unit"* (施工單位評價管理細則), which specify the need to conduct onsite investigations on construction projects in progress regularly. Ongoing evaluation of each project will be carried out based on the "Cooperative Management Measures"* (合作商管理辦法), with the Project Establishment Department (立項部門), the Engineering Centre (工程中心) and the Design Centre (設計中心) of the Project Management Centre (工程管理中心) of the Group being in charge of conducting performance reviews and annual reviews after the completion of each project and at the end of each year.

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The Group identifies and assesses environmental and social risks along the supply chain, and communicate with its suppliers to minimise the impact of those risks. With the establishment of its supplier risk management system, the Group determines and addresses potential business and sustainability risks, as well as legal liabilities during the selection and engagement with suppliers. The contracts with suppliers also have to be reviewed and verified by the Group's Internal Compliance Department ahead of granting approval so as to eliminate any unnecessary risks, while suppliers are also required to provide relevant international certification, such as ISO 14001 Environmental Management System or ISO 45001 Occupational Health and Safety Management System so as to ensure their awareness and compliance of these issues.

In the meantime, suppliers are also invited to fill in the "Customer Evaluation Form"* (需方評估表) at the end of each year or when a project has been completed. The form consists of different aspects in the entire collaboration process with the Group, including tender inspection, onsite management, supplier management, payment, and personnel integrity. With the response from its business partners, the Cost and Tendering Centre of the Group will be able to make an objective assessment of the quality of the management work of the Functional Management Department of the Group and its staff, thereby allowing the Group to have a detailed understanding of the collaboration process and optimise its procedures when necessary. In addition, the Group has been working on providing relevant training programmes for its dedicated supply chain management team, in order to enhance their awareness on ethics, compliance and corporate social responsibility in the collaboration with business partners.

Green Procurement

Striving to uphold the sustainability value in its procurement decisions, the Group is dedicated to promote environmentally preferable products and services when selecting suppliers. In accordance with its green procurement guidelines, the Group integrates environmental factors into its decision-making by giving priority to suppliers who follow ISO 14001 Environmental Management System standards (or with other environmental certifications) and operate in an environmentally sustainable manner. The Group lists out the requirements for environmental protection in its commercial agreement transparently, and suppliers that violate relevant environmental laws and regulations will be blacklisted.

The Group also prioritises purchases from local suppliers thereby supporting the local economy and curbing carbon emissions from transportation of materials and products, thus reducing its carbon footprint and the corresponding environmental impacts in the supply chain. The Cost and Tendering Centre of the Group is responsible for overseeing and monitoring the implementation of the policy of selecting suppliers that meet the Group's green procurement strategy.

With the approach of adopting a stringent screening process, designing cautious operational workflow and maintaining close business partnership with its suppliers, the Group did not experience any material delays, conflicts, or other significant issues with its suppliers in the past years. In FY2022, the Group was in consistent and stable collaboration with 42 suppliers that are all located in the PRC, and the aforementioned supplier engagement and management policies were applied to over 90% of them.

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B.6. Product Responsibility

In FY2022, the Group was in compliance with the relevant rules, regulations and standards in Hong Kong and the PRC that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters with respect to its products and services and methods of redress, including but not limited to:

- *Construction Law of the People's Republic of China* (中華人民共和國建築法);*
- *Fire Protection Law of the People's Republic of China* (中華人民共和國消防法);*
- *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例);*
- *Regulations on Quality Management of Construction Projects* (建設工程質量管理條例);*
- *Work Safety Law of the People's Republic of China* (中華人民共和國安全生產法);*
- *Product Quality Law of the People's Republic of China* (中華人民共和國產品質量法);*
- *Price Law of the People's Republic of China* (中華人民共和國價格法);*
- *Law on Protection of Consumer Rights and Interests of the People's Republic of China* (中華人民共和國消費者權益保護法);*
- *Advertising Law of the People's Republic of China* (中華人民共和國廣告法);*
- *Regulation on the Administration of Advertisements* (廣告管理條例);*
- *Contract Law of the People's Republic of China* (中華人民共和國合同法);*
- *Opinions on Strengthening the Protection of Intellectual Property Rights (關於強化知識產權保護的意見);*
- *Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong); and*
- *Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong).*

Product Quality and Safety

By putting its customers first, the Group is committed to delivering prime properties and attentive services that fulfil its customers' needs and expectations through enacting internal policies to manage its construction projects.

The Project Management Centre (工程管理中心) and the Construction Project Supervision Department (項目工程監理部) of the Group are in charge of overseeing, evaluating and supervising construction projects from conception to completion, as well as maintaining a high standard in the operational processes until its final delivery. In accordance with the national standards in the PRC, such as GB/T 19001-2016 (質量管理體系要求) and GB/T 24001-2015 (環境管理體系要求及使用指南), the Group acts in conformity with its internal policies including "Engineering Construction Supervision Manual"* (工程建設監理工作手冊), "Rules on Engineering Quality Management"* (工程質量管理細則) and "Rules on Project Schedule Management"* (工程進度管理細則), endeavouring to protect its customers' health and safety through delivering reliable and high-quality products and services. To safeguard its customers' well-being, health and safety factors are ingrained in all stages of operations from preliminary project design, selection of non-hazardous materials, to the completion and delivery of the properties to clients, in which strict procedures are being followed to secure efficient and satisfactory delivery of properties to customers.

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The Quality Control ("QC") Department of the Group is responsible for the quality tracking, supervision and inspection of all the Group's operations, property developed and services. Concerning the selection of construction materials, the Group has implemented its internal policy "Operating Standard of Product Inspection"* (產品檢測作業標準) and adopted sampling techniques to detect the presence of potential hazardous substances in the construction materials used in all phases of its projects. Once any unqualified product is spotted or any quality of operations is found to be sub-standard, the QC Department will immediately take decisive measures to adjust the relevant operations in accordance with its internal policy "Control Procedure of Non-conforming Products"* (不合格產品控制程序). Given the nature of its products, the Group considers the establishment of recall procedures not applicable to its business, as such recall procedures are not disclosed nor discussed in this ESG Report. In FY2022, the Group did not have any products to recalls for safety and health reasons.

Marketing/Advertising

The Group has introduced internal procedures to ensure that its marketing data is accurate with its marketing practices staying in compliance with local laws and regulations including the *Advertising Law of the People's Republic of China* (中華人民共和國廣告法) and Advertising Management Regulations* (廣告管理條例)*. All marketing materials released by the Group including signage, advertising mails and promotional items should undergo the strict review and verification of the Group. Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited. If the internal procedures are not met, the Group will take corrective actions immediately.

Customer's Privacy

Amid the increasing digitalisation trend, the Group is dedicated to enforce strong cybersecurity and strictly protect customer privacy. Through launching and implementing strict internal policies such as "Confidentiality Management and Regulations"* (保密管理規定), the Group ensures that its customers' rights and privacy are well-protected.

The Group regularly reviews its policies to comply with the *Personal Data (Privacy) Ordinance* and other relevant laws and regulations. The Group also ensures information collected would only be used for the purpose for which it has been collected, and assures that customers know how their personal information is collected, handled and used.

Reckoning that education is the best line of defence, the Group provides relevant training on data-privacy, cybersecurity and customer data-handling to staff who are authorised to access customer information, while requiring them to sign agreements with the Group for keeping the customer information confidential.

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The IT Department of the Group has set and enhanced computer firewalls within the Group to prevent unauthorised use, export, copy and leakage of customer data, while the Marketing Service Centre of the Group is responsible for overseeing the implementation and monitoring of the Group's consumer data protection and privacy policies.

In FY2022, there was no reportable incidents of customer privacy breaches, and the Group had not received any substantiated complaints concerning breaches of customer privacy or loss of customer data.

Complaints and After-sales Service

To enhance customer satisfaction, the Group has formulated policies and guidelines for post-sales management and complaint handling. The Marketing Service Centre of the Group is responsible for the collection of customers' complaints through various communication channels including telephone hotline and fax. Upon receiving any complaints, the QC Department of the Group will conduct formal reviews, formulate prompt responses within a reasonable timeframe and follow up on the entire process to ensure the relevant substantiated complaints are dealt with effectively. Relevant departments will promptly implement improved control procedures and formulate corrective and preventive measures afterwards, while complaints and their handling results will be announced within the Group to alert employees. The main priority of the Group's complaints handling procedure is to maintain the emotional stability and comfort the complainants, while understanding their whole story to better analyse the cause to prevent the incidents from happening again. There were no substantiated complaints received by the Group during the reporting period.

Intellectual Property Rights

The Group makes timely applications to register its new trademarks, labels and product designs to protect its intellectual property rights. Internal legal personnel and external legal advisers are hired to provide legal advice on the protection and infringement of intellectual property rights. Employees are required to keep trade secrets and other proprietary intellectual property rights of the Group confidential.

Given the Group's business nature and the principle of materiality, labelling-related issues are not applicable to the Group, therefore are not being discussed in this ESG Report.

B.7. Anti-corruption

The Group is determined to uphold the highest standards of business ethics and strive to prevent corruption and bribery in its operations. To create a fair, ethical and efficient working environment, the Group abided by the local laws and regulations related to anti-corruption and bribery, including but not limited to:

- *Anti-Corruption Law of the People's Republic of China* (中華人民共和國反腐敗法);*
- *Law of the People's Republic of China on Anti-money Laundering* (中華人民共和國反洗錢法);*
- *Anti-Unfair Competition Law of the People's Republic of China* (中華人民共和國不正當競爭法);*
- *Article 274th of the Criminal Law of the People's Republic of China (on extortion and fraud)* (中華人民共和國刑法第二百七十四條(關於敲詐勒索));*
- *Article 387th of the Criminal Law of the People's Republic of China (on illegal acceptance of other's property)* (中華人民共和國刑法 第三百八十七條 (關於非法收受他人財物));*
- *Interim Provisions on Banning Commercial Bribery* (關於禁止商業賄賂行為的暫行規定);*
- *Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong); and*
- *Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).*

Having zero tolerance for corruption, bribery, money laundering, extortion, anti-competition and other malpractices across its operations, the Group formulates and implements a series of internal protocols and policies including "Sunshine Service Convention"* (陽光服務公約) and "Implementation Rules on Sales Management"* (銷售管理實施細則), by which all employees are required to abide. Guidance on the duties of the Group's salespersons and sales policy to prevent any illegal practices, including corruption, extortion and money-laundering during the sell and buy processes are clearly stipulated.

To foster ethical business practices and strengthen the awareness of all management and employees, the Group arranges regular refresher training on ethical standards and anti-corruption practices for its staff. For instance, in FY2022, four sessions of "Training on Anti-Corruption and Ethical Business"* (關於反貪污及廉潔辦公的培訓) which amounted to eight hours of training were arranged quarterly for 40 managerial participants and 421 general staff participants working in the Group's hotel operation business. Meanwhile, another one-hour anti-corruption training course was arranged for two managerial staff and 115 general staff of the Group.

The Group encourages its internal and external stakeholders to report concerns about misconduct, malpractice, unethical or unfair practices via the Group's whistleblowing mechanism. Whistle-blowers can report verbally or in written format to the audit committee of the Company. The Group's effective grievance mechanism ensures that investigations are conducted in anonymity of the whistle-blowers to protect them from unfair dismissal or victimisation. The audit committee of the Company will undergo investigations against any suspicious or illegal behaviour to protect the Group's interests. In case of suspected corruption or other criminal offences, a report will be filed promptly with the relevant regulators or law enforcement authorities when the management of the Group deems necessary. The Risk Management and Internal Audit Centre of the Group is responsible for overseeing the implementation and monitoring of the Group's measures to prevent bribery, extortion, fraud and money laundering and whistleblowing procedures.

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In FY2022, there was zero concluded legal cases regarding corrupt practices brought against the Group or any of its employees. The Group was in compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group during the year under review.

COMMUNITY

B.8. Community Investment

The Group has always put its long-standing commitment to the development of urban cities and the needs of the communities in which it operates through leveraging its business strengths to address the most urgent needs. As a responsible enterprise dedicated to incorporating the SDGs into its corporate culture and the manner it runs its business, the Group pays close attention to the community's needs and responds proactively, ranging from social challenges to the occurrence of natural hazards. Over the years, the Group has unswervingly focused its efforts on the wellbeing of community groups and taken the initiative to help the underprivileged in the communities in areas of driving sustainable urban development, launching scalable and sustainable education and poverty alleviation programmes, strengthening resource allocation to community care activities by conducting volunteer work and providing financial support consistently, and providing assistance upon the occurrence of major and severe incidents that pose risks to human health, stability of society and the environment.

In FY2022, despite the effective prevention and control measures launched by the central government, the pandemic continued to pose threats to the public health and caused disruptions to the daily lives of people. Reckoning that the pandemic potentially intensified the plight of the disadvantaged, who have already been suffering from insufficient housing and limited resources, the Group spared no efforts in providing its support to epidemic prevention and control via donations.

Due to the social restriction measures enacted to fight the pandemic, the Group only organised limited community activities in FY2022. Consistent with its general practice, the Group had organised regular visits to elderly homes in the Guangdong Province for its staff and donated suitable supplies to the elderly homes in FY2022. During the year under review, the Group made charitable contributions totalling approximately HK$1,812,000.

Adhering to the Group's belief of the central government in "Unity is Strength", the Group has always been highly engaged in the local communities in which it operates so as to better identify its business purposes while undergoing property development projects that can enhance amenities and the quality of life of people living in the communities of concerned. Looking forward, the Group will continue to contribute to philanthropy from a wider range of activities and build a society with love and warmth.

BIOGRAPHY OF DIRECTORS

The Board currently comprises nine Directors, six of whom are executive Directors and three of whom are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) ("Mr. Chu HT"), aged 53, is the chairman of the Company ("Chairman") and an executive Director. He has been appointed as an executive Director since September 2009 and he was appointed as the chief executive officer of the Company ("Chief Executive Officer") on 9 September 2009. In February 2010, he was appointed as a deputy chairman of the Company ("Deputy Chairman"). In December 2013, he was re-designated as the Chairman. With effect from 21 August 2015, Mr. Chu HT has resigned as the Chief Executive Officer. Mr. Chu HT is a shareholder of Rong De, the controlling shareholder of the Company, which is owned as to 34.06% by Mr. Chu HT. Mr. Chu HT has over 24 years of extensive experience in corporate management and property development in the PRC. He is the younger brother of Mr. Chu Muk Chi, an executive Director. Mr. Chu HT has been appointed as a non-executive director, the chairman of the board of directors and the chairman of the nomination committee of Silver Grant with effect from 29 January 2019. He has been re-designated from a non-executive director to an executive director and appointed as the chief executive officer and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021. He has been re-designated from the chief executive officer to a co-chief executive officer of Silver Grant with effect from 13 May 2022.

Mr. Liu Jie ("Mr. Liu"), aged 59, was appointed as an executive Director and the Chief Executive Officer on 17 March 2017. He obtained a degree of Bachelor of Science from the Guangzhou Teachers College* (廣州師範學院) (now known as Guangzhou University) in 1985. Mr. Liu was a Deputy Mayor (副區長) of the People's Government of Haizhu District of Guangzhou Municipality of the PRC (廣州市海珠區人民政府) from November 2006 to April 2015 and the Mayor (區長) of the People's Government of Liwan District of Guangzhou Municipality of the PRC (廣州市荔灣區人民政府) from April 2015 to September 2016. Mr. Liu has over 33 years of experience in administrative and operation management in the PRC.

Mr. Liao Tengjia ("Mr. Liao"), aged 59, is a Deputy Chairman and an executive Director. He was appointed as the Chairman and an executive Director in September 2009 and a director of certain subsidiaries of the Company. In December 2013, Mr. Liao resigned as the Chairman. With effect from 21 August 2015, Mr. Liao has been appointed as the Chief Executive Officer. With effect from 17 March 2017, Mr. Liao has resigned as the Chief Executive Officer and was appointed as a Deputy Chairman. Mr. Liao is a shareholder and the sole director of Rong De, the controlling shareholder of the Company, which is owned as to 36.00% by Mr. Liao, whose interest in the Shares falls to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). He has over 24 years' management experience in the property development industry in the PRC.

Mr. Huang Jiajue ("Mr. Huang"), aged 52, is a Deputy Chairman, an executive Director and a member of each of the nomination committee and the remuneration committee of the Company. He has been appointed as an executive Director since September 2009 and a director of a subsidiary of the Company. With effect from 21 August 2015, Mr. Huang has been appointed as a Deputy Chairman. Mr. Huang obtained a Master's Degree in Business Administration from the Sun Yat-Sen University in the PRC. He has over 24 years of financial management experience in the property development industry in the PRC. Mr. Huang has been appointed as an executive director, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 29 January 2019 and has been appointed as the chief executive officer of Silver Grant with effect from 2 September 2019. He has resigned as an executive director, the chief executive officer, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021.

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Biography of Directors

Mr. Chu Muk Chi (alias Mr. Zhu La Yi) ("Mr. Chu MC"), aged 65, has been appointed as an executive Director since September 2009. He obtained a Bachelor's Degree in Medicine from the Guangzhou College of Traditional Chinese Medicine (now known as Guangzhou University of Chinese Medicine). Mr. Chu MC is a shareholder of Rong De, the controlling shareholder of the Company, which is owned as to 29.94% by Mr. Chu MC. Mr. Chu MC has over 24 years of extensive experience in corporate management, Chinese medicine and property development in the PRC. He is the elder brother of Mr. Chu HT, the Chairman and an executive Director. He is currently a director and the chairman of the board of directors of Guangdong Jiaying Pharmaceutical Co., Ltd.* (廣東嘉應製藥股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002198).

Ms. Ye Lixia ("Ms. Ye"), aged 58, was appointed as an executive Director on 17 June 2015. She is also a director of certain subsidiaries of the Company. Ms. Ye obtained a Master's Degree in Economics from the Sun Yat-Sen University in the PRC in 1989. Before joining the Company, Ms. Ye served as the General Manager of the Investment and Finance Management Centre of Guangdong Pearl River Investment Holdings Limited* (廣東珠江投資股份有限公司) from July 2007 to April 2015. She has over 13 years of financial management experience in the property development industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping ("Mr. Leung") *JP*, aged 79, has been appointed as an independent non-executive Director since October 2009. He is also the chairman of the audit committee of the Company, and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Leung is a certified public accountant with extensive experience in Hong Kong tax and international tax planning for over 33 years. Currently, he is a senior advisor to Crowe Horwath (HK) CPA Limited. Mr. Leung is a fellow member of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Apart from his professional work, Mr. Leung has actively participated in community affairs. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. Mr. Leung is currently a Councillor of the New Territories Heung Yee Kuk and the Hon. Secretary of Heung Yee Kuk Foundation Limited. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth II in 1994 for his service to the community. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung was an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from August 2009 to June 2016.

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Mr. Wong Chi Keung ("Mr. Wong"), aged 68, has been appointed as an independent non-executive Director since June 2012. He is also the chairman of each of the nomination committee and the remuneration committee of the Company, and a member of the audit committee of the Company. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of each of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, and an associate member of each of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Mr. Wong has over 42 years of experience in finance, accounting and management. He was a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the SFO from 23 March 2010 to 16 April 2016. Mr. Wong was a director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0123, which is now known as Yuexiu Property Company Limited), for over 10 years.

Mr. Wong was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1175 and provisional liquidators appointed from 19 October 2009 to 2 July 2013, and now known as Fresh Express Delivery Holdings Group Co., Ltd.), for the period from 22 November 2004 to 24 June 2011. He was also an independent non-executive director and a member of each of the audit committee and the remuneration committee of First Natural Foods Holdings Limited ("First Natural Foods") (a company listed on the Main Board of the Stock Exchange with stock code: 1076 with provisional liquidators appointed from 6 January 2009 to 4 September 2012, which is now known as Imperial Pacific International Holdings Limited) for the period from 26 November 2007 to 20 November 2013, and a member of the nomination committee of First Natural Foods from 4 September 2012 to 20 November 2013. Mr. Wong had been an independent non-executive director of PacMOS Technologies Holdings Limited ("PacMOS") (a company listed on the Main Board of the Stock Exchange with stock code: 1010, which is now known as Balk 1798 Group Limited) since August 1995, and he ceased to be an independent non-executive director and the chairman of each of the audit committee, remuneration committee and nomination committee of PacMOS with effect from 1 July 2014. He was an independent non-executive director of ENM Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0128) from 17 June 2010 to 9 June 2017. He was also an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from 17 October 2016 to 18 September 2017. He was an independent non-executive director of China Shanshui Cement Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0691) from 2 February 2016 to 23 May 2018. Mr. Wong was an independent non-executive director of TPV Technology Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0903, which was subsequently withdrawn from listing from 4:00 p.m. on 14 November 2019). He was an independent non-executive director of Nickel Resources International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2889 and subsequently withdrawn from listing from 9:00 a.m. on 14 February 2020) from 2 May 2005 to 21 February 2020. He was an independent non-executive director of Guoan International Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0143) from 13 April 2021 to 9 June 2021.

Biography of Directors

Mr. Wong is currently an independent non-executive director of Asia Orient Holdings Limited (stock code: 0214), Asia Standard Hotel Group Limited (stock code: 0292), Asia Standard International Group Limited (stock code: 0129), Century City International Holdings Limited (stock code: 0355), China Ting Group Holdings Limited (stock code: 3398), Changyou Alliance Group Limited (stock code: 1039, formerly known as Fortunet e-Commerce Group Limited), Golden Eagle Retail Group Limited (stock code: 3308), Paliburg Holdings Limited (stock code: 0617), Regal Hotels International Holdings Limited (stock code: 0078) and Yuan Heng Gas Holdings Limited (stock code: 0332). All of the companies above are listed on the Main Board of the Stock Exchange. Mr. Wong is also a Responsible Officer for asset management and advising on securities of Beagle Asset Management Company Limited (formerly known as CASDAQ International Capital Market (HK) Company Limited) under the SFO.

Dr. Feng Ke ("Dr. Feng"), aged 51, was appointed as an independent non-executive Director on 17 June 2015. He is also a member of the audit committee of the Company. He graduated from the Guangdong University of Finance* (廣東金融學院) (previously known as Guangdong Academy of Finance* (廣州金融高等專科學校)) majoring in International Finance in July 1993. Dr. Feng obtained a Master's Degree in Economics from the Guangdong Academy of Social Sciences* (廣東省社會科學院) in July 1999. He obtained a Doctor's Degree in Economics from the Peking University* (北京大學) in July 2002.

Dr. Feng was the assistant manager of Golden Eagle Asset Management Co., Ltd.* (金鷹基金管理有限公司) from July 2002 to January 2006. Dr. Feng was an independent director of Sichuan Guang'an AAA Public Co., Ltd* (四川廣安愛眾股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange with stock code: 600979) from November 2011 to September 2014, and an independent director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司) (previously known as Beijing CCID Media Investments Co., Ltd.* (北京賽迪傳媒投資股份有限公司)), a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 000504) from December 2013 to December 2014. He had also been an independent director of Guangdong Provincial Expressway Development Co., Ltd.* (廣東省高速公路發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000429) from June 2009 to April 2016, and an independent director of Tande Co., Ltd.* (天地源股份有限公司), a company listed on the Shanghai Stock Exchange with stock code: 600665, from December 2009 to December 2015. Dr. Feng was an independent non-executive director of Yingde Gases Group Company Limited (whose listing of shares on the Main Board of the Stock Exchange with stock code: 2168 was withdrawn on 21 August 2017) from November 2016 to March 2017. With respect to Asian Capital Resources (Holdings) Limited (a company listed on GEM of the Stock Exchange with stock code: 8025), he was an independent non-executive director from October 2008 to August 2013 and an executive director from 1 September 2013 to 2 March 2023. Dr. Feng was an independent director of China Greatwall Technology Group Co., Ltd.* (中國長城科技集團有限公司) (previously known as China Great Wall Computers Shenzhen Co., Ltd.* (中國長城計算器深圳股份有限公司)) (a company listed on the Shenzhen Stock Exchange with stock code: 000066) from 30 August 2010 to 3 April 2018. He was an independent director of Shenzhen Success Electronics Co., Ltd.* (深圳市宇順電子股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002289) from 30 December 2015 to 15 October 2020. Dr. Feng was a non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1396) from 27 June 2022 to 28 February 2023. He is currently an independent director of Aotecar New Energy Technology Co., Ltd.* (奧特佳新能源科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002239), an independent director of Tianjin Guangyu Development Co., Ltd.* (天津廣宇發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000537), an independent director of Liaoning Cheng Da Co., Ltd.* (遼寧成大股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600739) and an independent non-executive director of China Huirong Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1290).

SENIOR MANAGEMENT

The six Directors holding executive offices above are directly responsible for the various businesses of the Group. They are regarded as members of the senior management of the Group.

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CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company firmly believes that a good, solid and sensible framework of corporate governance will allow the Company to run its business in the best interest of its shareholders as a whole. The Company adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules then in force during FY2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Code") as contained in Appendix 10 to the Listing Rules then in force during FY2022. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2022.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules then in force during FY2022.

SECURITIES TRANSACTIONS BY MANAGEMENT AND STAFF

The management and staff have been individually notified and advised about the Code by the Company.

Financial Officer

The financial officer ("Financial Officer") of the Company is responsible for preparing the consolidated interim and annual financial statements of the Company based on accounting principles generally accepted in Hong Kong and ensuring that the consolidated financial statements truly reflect the Group's results and financial position, as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the audit committee of the Company and coordinates with external auditors on a regular basis. In addition, the Financial Officer reviews the controls of financial risks of the Group and provides advice thereon to the Board.

Company Secretary

The company secretary ("Company Secretary") of the Company reports directly to the Chairman. All Directors have easy access to the advice and services of the Company Secretary and the responsibility of the Company Secretary is to ensure the board meeting procedures are properly followed and are in compliance with the relevant laws, rules and regulations. The Company Secretary is also responsible for providing assistance to the Board with respect to the Directors' obligations on securities interest disclosure, and disclosure requirements on notifiable transactions, connected transactions and inside information. The Company Secretary provides assistance to the Board with respect to the Company's compliance with the laws, regulatory requirements and the Company's bye-laws ("Bye-Laws") as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. In addition, the Company Secretary also assists in the provision of relevant information updates and continuous professional development to the Directors with respect to the legal, supervisory and other continuing obligations of being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

BOARD OF DIRECTORS

A. The Responsibilities of The Board

The principal functions of the Board are to consider, set and approve the strategies, financial objectives, annual budget, investment proposals, appointment and re-appointment of Directors, and accounting policies of the Group. The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1 of the CG Code. The Board also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems by the Group to manage these risks. The day-to-day operations of the Group are delegated to the management of the Group.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's management independently. The daily management, administration and operation of the Group are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board recognises that corporate governance should be the collective responsibility of the Directors and the Board delegates the corporate governance duties to the management which include:

(i) to develop, review and implement the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors; and

(iv) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

B. Board Composition and Diversity

During FY2022 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Officer, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. The independent non-executive Directors are expressly identified in all corporate communications that disclose the names of the Directors. The number of independent non-executive Directors during FY2022 and as at the date of this annual report represented one-third of the Board. The Company seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board.

The Company has adopted a board diversity policy, which sets out the Company's approach on achieving diversity on the Board. In reviewing and assessing the composition of the Board and the nomination of Directors (as applicable), the Company takes into account a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

During FY2022 and as at the date of this corporate governance report, the Board comprised eight male members and one female member, with six of them being executive Directors and the remaining three being independent non-executive Directors. The Company has formal letters of appointment with all Directors setting out the key terms and conditions relating to their appointment. The Directors have professional background in property development, finance, taxation, investment and management. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice to the Board in respect of the long-term development of the Company. Taking into account that the Board has a balanced mix of skill-set, experience, expertise, and diversity which strengthens its decision-making capability and the overall effectiveness of the Company in achieving sustainable business operation and enhancing shareholder value, the Company considers that the current composition of the Board satisfies the principles set out in the board diversity policy of the Company.

Mr. Chu Hing Tsung, the Chairman and an executive Director, and Mr. Chu Muk Chi, an executive Director, are brothers. The biographical details of the Directors and the relationships between Board members are set out in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report. Save as disclosed above and in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another and this is true in particular between Mr. Chu Hing Tsung, the Chairman, and Mr. Liu Jie, the Chief Executive Officer.

To ensure that independent views and input are available to the Board, the Company has adopted a policy ("Independent Views Policy") with effect from 1 January 2022, under which the independent non-executive Directors are required to, among others, bring independent judgment to bear on the Company's issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, help review some of the Board's major decisions and the Company's performance in relation to corporate goals, monitor the Company's performance reporting, and take the lead where potential conflicts of interest arise. Further, the independent non-executive Directors must make sufficient time available to discharge their responsibilities and should not accept an invitation to serve as an independent non-executive Director on the Board unless they can devote adequate time and effort to the work involved. Independent non-executive Directors sitting on multiple boards of directors of listed companies will need to ensure that they devote sufficient time and dedicate adequate attention to each board and board committee of the Company. The Company is required to review the Independent Views Policy and its implementation and effectiveness on an annual basis. Apart from formal communication channels, such as board meetings, informal means of communication which allow independent non-executive Directors to express their views in an open and candid manner, including dedicated meetings with the Chairman without the presence of any other Director at least once a year and interaction and discussion with management, are also provided by the Company to the independent non-executive Directors to make sure that independent views and input are available to the Board. In addition, the Company ensures that all the Directors (including the independent non-executive Directors) will have access to advice from external independent professionals, including independent legal advisors, auditors and valuers, to assist the Directors to perform their duties. The Company has also received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2022, the gender ratio of the workforce of the Group (including senior management) was 397:486 male to female.

C. Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer are carried out by different individuals and have been clearly defined in writing.

The Chairman is Mr. Chu Hing Tsung, and the Chief Executive Officer is Mr. Liu Jie. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views.

With the support of the Company Secretary, the Chairman is responsible for ensuring that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems, internal procedures and processes for the Board's approval.

BOARD MEETINGS AND ANNUAL GENERAL MEETING

The Board meets regularly and as warranted by particular circumstances. Notices and agendas are prepared by the Company Secretary as delegated by the Chairman and distributed to the Board members within reasonable time before the meetings. Relevant meeting papers are also sent to the Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All Directors are given the opportunity to include matters in the agendas for Board meetings. Draft and final versions of the minutes of Board meetings are sent to all Directors for their comment and records, respectively, within a reasonable time after the Board meetings and are kept by the Company Secretary.

During FY2022, the Directors made active contribution to the affairs of the Group and thirteen Board meetings were held to consider, among other things, various transactions contemplated by the Group, and to review and approve the interim results and annual results of the Group. To ensure the Directors will make decisions objectively and in the interests of the Company, Bye-Law No. 103(1) of the Bye-Laws provides that any Director shall abstain from voting on any resolutions in which he/she or his/her associate(s) is/are materially interested nor be counted in the quorum of the meeting. Any Board meeting in which a Director has abstained from voting or has not been counted in the quorum of the meeting shall not be taken into account in determining that Director's attendance record.

All members of the Board attended the annual general meeting ("AGM") held by the Company on 24 June 2022 ("2022 AGM") and were available to answer questions from the Shareholders attending the meeting.

The individual attendance of each Director in the Board meetings held during FY2022 and the 2022 AGM is as follows:

	Attended/Eligible to attend Board meetings	2022 AGM
Executive Directors		
Mr. Chu Hing Tsung	13/13#	1/1
Mr. Liu Jie	12/12	1/1
Mr. Liao Tengjia	12/12	1/1
Mr. Huang Jiajue	12/12	1/1
Mr. Chu Muk Chi	12/12	1/1
Ms. Ye Lixia	12/12	1/1
Independent non-executive Directors		
Mr. Leung Wo Ping *JP*	13/13#	1/1
Mr. Wong Chi Keung	13/13#	1/1
Dr. Feng Ke	13/13#	1/1

Included a meeting between the Chairman and the independent non-executive Directors held during FY2022.

NON-EXECUTIVE DIRECTORS

Code Provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Each of the independent non-executive Directors has been appointed for a term of two years. All of the independent non-executive Directors are subject to retirement by rotation once every three years and should be subject to re-election.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance, other related ordinances and relevant regulatory requirements of Hong Kong, is provided to each newly appointed Director.

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY2022 is summarised as follows:

	Training received
	Notes
Executive Directors	
Mr. Chu Hing Tsung	(1)(2)
Mr. Liu Jie	(1)(2)
Mr. Liao Tengjia	(1)(2)
Mr. Huang Jiajue	(1)(2)
Mr. Chu Muk Chi	(1)(2)
Ms. Ye Lixia	(1)(2)
Independent non-executive Directors	
Mr. Leung Wo Ping *JP*	(1)(2)
Mr. Wong Chi Keung	(1)(2)
Dr. Feng Ke	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they complied with Code Provision C.1.4 of the CG Code on directors' continuous professional development during FY2022.

BOARD COMMITTEES

The Board has set up three specialised committees, namely the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") to oversee particular aspects of the Company's affairs. The three Board committees were established with defined written terms of reference approved by the Board, which set out the major duties of each Board committee. These terms of reference are posted on the websites of the Stock Exchange and of the Company and are available to the Shareholders. Members of the Board committees are mainly independent non-executive Directors. The list of the chairman and members of each Board committee is set out in each of the following Board committee sections below in this annual report. The meeting procedures of each Board committee follow the procedures of the Board meetings.

The members of the Board committees are provided with sufficient resources to discharge their duties and in appropriate circumstances, the Company can retain external auditors, financial advisers, lawyers and other relevant independent professionals to provide independent professional advice to assist members of the Board committees in fulfilling their responsibilities.

A. Audit Committee

The Company established the Audit Committee in 1999 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2022 and as at the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. Mr. Leung Wo Ping *JP* was the chairman of the Audit Committee during FY2022 and as at the date of this annual report.

The major roles and functions of the Audit Committee are as follows:

(1) to consider, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to discuss with the external auditor before the audit commences in respect of the nature and scope of the audit and reporting obligations;

(4) to monitor the integrity of the Company's financial statements, annual report, accounts and half-year report, and to review significant financial reporting judgements contained in them;

(5) to review the Company's financial controls and internal control and risk management systems, and to ensure that management has discharged its duty to establish an effective internal control system;

(6) to review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control as well as management's response to the points raised; and

(7) to ensure that the Board responds promptly to the matters raised by the external auditor in the management letter.

The Audit Committee shall meet with the external auditor without the presence of the executive Directors to discuss the Group's financial reporting and any major financial matters arising during the financial year at least twice a year.

The Audit Committee held four meetings during FY2022. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Independent non-executive Directors	
Mr. Leung Wo Ping *JP* *(Chairman)*	4/4
Mr. Wong Chi Keung	4/4
Dr. Feng Ke	4/4

During FY2022, the Audit Committee held four meetings with the external auditor to discuss the general scope of their audit work and the audit findings. The Audit Committee also reviewed the Group's annual audited results for FY2021 and unaudited interim results for the six months ended 30 June 2022, and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made, and submitted them to the Board for approval. In addition, the Audit Committee also made a review of the effectiveness of the financial reporting, internal audit function, and risk management and internal control systems of the Group.

B. Remuneration Committee

The Company established the Remuneration Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties. The Remuneration Committee has adopted the approach under Code Provision E.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure of the remuneration of Directors and senior management.

During FY2022 and as at the date of this annual report, the Remuneration Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Wong Chi Keung and Mr. Leung Wo Ping *JP*. Mr. Wong Chi Keung was the chairman of the Remuneration Committee during FY2022 and as at the date of this annual report.

The major roles and functions of the Remuneration Committee are as follows:

(1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payment (including any compensation payable for loss or termination of their office or appointment);

(4) to make recommendations to the Board on the remuneration of the non-executive Directors;

(5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and otherwise fair and not excessive;

(7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and otherwise reasonable and appropriate; and

(8) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held two meetings during FY2022. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	2/2
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	2/2
Mr. Leung Wo Ping *JP*	2/2

The following is a summary of work performed by the Remuneration Committee during FY2022:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;

(b) assessing individual performance of the Directors and senior officers of the Group; and

(c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

The remuneration of the executive Directors, who are regarded as the senior management of the Group, by band for FY2022 is set out below:

HK$0 to HK$2,000,000	2
HK$2,000,001 to HK$4,000,000	2
Over HK$4,000,001	2
	6

The remuneration of the Directors is determined by reference to their qualifications, experience, duties and responsibilities, the Group's remuneration policy and the prevailing market trends. Neither the Chief Executive Officer nor any of the Directors waived or agreed to waive any emoluments during FY2022.

C. Nomination Committee

The Company established the Nomination Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2022 and as at the date of this annual report, the Nomination Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Leung Wo Ping *JP* and Mr. Wong Chi Keung. Mr. Wong Chi Keung was the chairman of the Nomination Committee during FY2022 and as at the date of this annual report.

The major roles and functions of the Nomination Committee are as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(3) to assess the independence of the independent non-executive Directors; and

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee selects and recommends candidates for directorship based on certain criteria and procedures. The major criteria include (i) the candidates' professional background, especially their experience in the industry in which the Group operates; (ii) their financial management experience and track record with other companies engaged in similar business as the Group's; and (iii) the recommendations from the management team and other knowledgeable individuals. The Nomination Committee will shortlist the candidates and then submit them to the Board for final approval.

The Nomination Committee held one meeting during FY2022. Individual attendance of each committee member is set out as below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	1/1
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	1/1
Mr. Leung Wo Ping *JP*	1/1

During the meeting held in FY2022, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors coupling with the relevant requirements under the Listing Rules, and the suitability of the Directors who were subject to re-election at the AGM.

INTERNAL CONTROL

Risk Management and Internal Control

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the assets of the Group and interests of the Shareholders. The Board is clearly aware of the key role played by the Group's risk management and internal control systems in the Group's risk management and compliance with the laws and regulations on an on-going basis. The Group is aware of the responsibilities of the Board and the management over risk management and internal control systems:

- **The Board** is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic business objectives, ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems, and overseeing the management's design, implementation and monitoring of risk management and internal control systems on an ongoing basis.

- **The management** is responsible for the design, implementation and monitoring of the risk management and internal control systems and confirming to the Board whether or not the risk management and internal control systems are effective.

Such risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or losses.

The Audit Committee continuously reviews the Group's risk management and internal control systems. The Board also reviews the effectiveness of the Group's risk and management and internal control systems on annual basis. Based on its review, the Audit Committee will provide advice to the Board as to the adequacy of the Group's risk management and internal control systems.

RISK MANAGEMENT

The Group has established a basic risk management structure in 2016 to specify the risk management process, and consciously enhanced the Group's risk management culture internally. The Group strives to optimise its risk management structure, standardise its risk management process, and adopt qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks, so as to promote its sustainable and healthy business growth by keeping its risks under control.

Construction of Risk Management System

- **Construction and update of basic risk management structure:** the Group has established an organisational structure and functions for risk management practices covering different levels, including decision-making level (the Board and the Audit Committee), leadership level (the Group's management) and implementation level (management of each function centre of the Group and the regional subsidiaries) over the past years. The duties and authorities of each level of decision-making, leadership and implementation are specified in writing and the Group's major risks are classified into different categories, including strategy, operation, market, finance, compliance and Environmental, Social and Governance (ESG) so as to create a risk database. During FY2022, the Group reviewed, updated and improved the above-mentioned basic structure based on changes in both internal and external environment. From the perspective of the Group's strategic objective and the management's risk appetite, appropriate risk assessment dimension and criteria as well as qualitative and quantitative approaches of assessment have been established. Meanwhile, approaches and criteria of assessment identified by the management together are used to assess and respond to risks likely to affect the achievement of the corporate target.

- **Establishment and regulation of risk management process:** the Group has established closed-loop procedures in respect of sustainable risk management, covering the identification, assessment, response, monitoring and reporting (see Chart 1: Major Steps of Risk Management Process), in addition to risk management procedures and tools used to support the implementation of such procedures. The Board analyses and prioritises risks identified to determine key risks exposed to the Group and discusses how to manage such key risks. Besides, existing risk mitigation measures are identified and recorded against each significant risk, with improvement suggestions being made based on the management's risk appetite. During FY2022, the Group reviewed, adjusted and improved the risk management process to improve the efficiency and standardisation of its operations.

(Chart 1: Major Steps of Risk Management Process)

Risk Assessment Performed by the Group in FY2022

On the basis of the above construction of risk management systems at the group level, the management of the Group continued to strengthen its risk management with the assistance from an external consultant during FY2022, and updated and assessed the top 10 risks of the Group in FY2022.

- **Updating and assessing the top 10 risks of the Group:** in view of the external market environment, changes in the internal business environment, the business operation and risk appetite of the Group, the management of the Group updated the risk assessment standards and risk database during FY2022. Meanwhile, it reviewed the change in nature and degree of significant risks exposed to the Group by using a systematic approach of assessment, reassessed the top ten risks exposed to the Group and studied the tendency of such change as compared with that of FY2021. The current governance and control measures were reviewed to determine the department responsible for control of the relevant risks as well as the corresponding response measures and improvement plans. Results of the assessment and implementation of the governance and control measures were reported to the Audit Committee, which, on behalf of the Board, reviewed and assessed the change in nature and degree of the significant risks and considered that the risk management systems were effective and adequate upon review of such systems.

In the years to follow, the management of the Group will continue to strengthen the risk management systems through various measures, including on-going risk management training, regular risk alert and risk management reporting, and will perform review and assessment of the responses to significant risks at least annually and report the results to the Audit Committee.

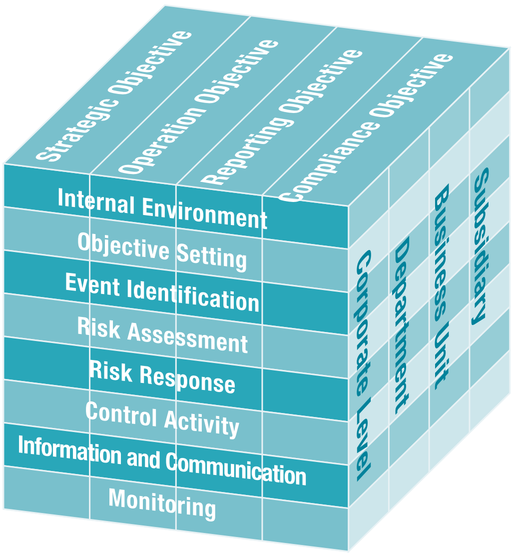
Internal Audit

The Company has established an internal audit function as an independent third line of defence, which is responsible for assisting the Audit Committee in making analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. The Board reviewed the resources and staff qualifications and experiences of the internal audit function, and considered that the budget and the training received by the internal audit staff were adequate during FY2022.

Internal Control

Construction of Internal Control Management Framework

The Company has established its own internal control framework by reference to the internal control management framework from the COSO (Committee of Sponsoring Organisations of the Treadway Commission) (see Chart 2: Internal Control Management Framework from the COSO). The Group's risk management system consists of five elements, i.e. control environment, risk assessment, control activity, information and communication, and monitoring activity, which are related to, interacting with and relying on each other, and collectively safeguard the performance of the Group's internal control function. An established organisational structure is included in such control systems, clearly defining the power and obligations of each department, in order to protect the Group's assets against improper use, maintain appropriate accounts and ensure compliance with rules and regulations. The scope of review covers significant controls, including controls over finance, operations, compliance and risk management. Annual review of the effectiveness of the risk management and internal control systems has been performed with reference to the COSO framework.



(Chart 2: Internal Control Management Framework from the COSO)

Review of Internal Control Performed by the Group in FY2022

On the basis of the above internal control management framework of the Group, the management of the Group engaged an external consultant to support the internal control review in FY2022 to enhance the internal controls. Based on the changes in risk conditions and control environment, the management of the Group selected key business processes for review, assessed the adequacy and effectiveness of existing control activities, determined major risks and existing control defects, and identified the key departments responsible for control defects and the following response measures and improvement plans. The results of assessment were reported to the Audit Committee.

Review of Risk Management and Internal Control Systems

The Board has, through the Audit Committee, performed an overall review of the effectiveness of the Group's risk management and internal control systems for FY2022, considering changes in the nature and degree of significant risks exposed to the Group, as well as the Group's capability of responding to changes in its business and external environment. The management has continued monitoring the scope and quality of the risk and internal control systems and the work performed by the internal audit function, and has prepared the reports provided to the Audit Committee. The Board considered the Group complied with the provisions relating to internal control set out in the CG Code and the risk management and internal control systems were effective and adequate during FY2022.

INSIDE INFORMATION

The Company takes every precaution in its handling of inside information. The Company regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding inside information. Also, the Company keeps the Directors, management and employees abreast of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified to observe the restrictions regarding the handling and dissemination of inside information from time to time. The Board is generally responsible for ensuring that the Company complies with its disclosure obligations regarding inside information. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the Board will ensure that such information is kept strictly confidential.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1 of the CG Code and has established the following corporate governance duties to serve this purpose:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of the Directors and management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

There was no meeting held by the Board in respect of its corporate governance functions during FY2022. However, the Company has from time to time provided updated information to the Directors and management on the relevant rules and regulations relating to corporate governance, ensuring that they have a proper understanding of the latest development of the best corporate governance practice.

AUDITOR'S REMUNERATION

For FY2022, the remuneration paid/payable to the Company's auditor, Ernst & Young, for their audit and non-audit services provided, is set out as follows:

Nature of services	**Fee paid/payable** HK$'000
Audit services	5,800
Non-audit services	
— Agreed-upon procedures	880
— Internal control services	450
Total	7,130

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility of preparing the financial statements for FY2022, which were prepared in accordance with statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgement and estimates made are prudent and reasonable.

During FY2022, the Group's performance was affected by the slow-down in the PRC property market and pressures on business operations were exacerbated by the COVID outbreak and lockdown measures, as well as prolonged negotiations on re-financing activities. For FY2022, the Group incurred a net loss of HK$1,022 million. Notwithstanding that the Group reported net current assets of HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to HK$6,381 million, including (1) the secured borrowings of HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. As at 31 December 2022, the Group had cash and bank balances amounting to HK$760 million, of which HK$131 million was unrestricted.

During FY2022, the secured borrowings of HK$617 million have not been repaid according to the scheduled repayment dates and remained outstanding as at 31 December 2022. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates of such borrowings. Subsequent to the end of the reporting period, in March 2023, the Group has entered into an agreement to extend the repayment of an existing loan in the amount of HK$208 million up to year 2024. The Directors expect that the refinancing of the remaining borrowings which were due for repayment as at the reporting date will be completed by 30 June 2023. As a result of the above, other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date have been reclassified as current liabilities at the reporting date. Up to the date of this annual report, the Group has not received any demand for immediate repayment for any of these borrowings.

The Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 31 December 2022. The Group has formulated certain plans and measures as set out in note 2.1 to its consolidated financial statements for FY2022 to mitigate the liquidity pressure and to improve its cash flows. The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from 31 December 2022, prepared by the management, and they are of the opinion that, taking into account the plans and measures as set out in note 2.1 to the Group's consolidated financial statements for FY2022, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months. Accordingly, the Directors believe that it is appropriate to prepare the Group's consolidated financial statements for FY2022 on a going concern basis.

The reporting responsibilities of the external auditor on the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 128 to 134 of this annual report.

SHAREHOLDERS' RIGHTS

(1) Dividend policy

The Company has adopted a dividend policy.

The Company does not have any pre-determined dividend pay-out ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Bye-laws, all applicable laws and regulations and the following factors:

1. financial results;
2. cash flow situation;
3. business conditions and earnings;
4. capital requirements and expenditure plans;
5. interests of Shareholders;
6. any restrictions on payment of dividends; and
7. any other factors that the Board may consider relevant.

The dividend policy of the Company will be reviewed by the Board as appropriate from time to time.

The Company treats all Shareholders equally and ensures that Shareholders' rights are protected and every convenience is provided to the Shareholders for them to exercise their rights in ways that they are entitled to. The memorandum of association of the Company ("Memorandum of Association") and the Bye-Laws set out the rights of the Shareholders.

(2) Rights and procedures for Shareholders to convene a special general meeting ("SGM")

Pursuant to Bye-Law No. 58 of the Bye-Laws, Shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings may request the Company to convene a SGM by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionists and deposited at the Company Secretary at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Before convening the SGM which must be in the form of a physical meeting only, the request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar with their confirmation that the request is proper and in order.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists themselves may convene a physical meeting at only one location which will be the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Bye-Laws, the principal place of the meeting, in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981 (as amended).

(3) Rights and procedures for Shareholders to make proposals at general meetings

(i) Rights and procedures for proposing a person for election as a Director at a general meeting are as follows:

Pursuant to Bye-Law No. 88 of the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected, shall have been lodged at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or at the Hong Kong branch share registrar provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The procedures for Shareholders to propose a person for election as a Director is posted on the Company's website (www.zhuguang.com.hk).

(ii) Rights and procedures for proposing resolution to be put forward at a general meeting are as follows:

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the company to give shareholders notice of a resolution which is intended to be moved at the next annual general meeting or special general meeting. If any Shareholders wish to propose a resolution to be put forward at a general meeting of the Company, a written notice to that effect signed by the requisitionists with contact information must be deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing Shareholder in such a proposal. The request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at the AGM or the SGM varies according to the nature of the proposal, the details of which are as follows:

- At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in SGM.

- At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes an ordinary resolution of the Company in AGM or a special resolution of the Company in AGM or SGM.

In the event of failure in serving the notice to the Company by the requisitionist within reasonable time, the Company reserves the right to claim from the requisitionist any expenses incurred by the Company in serving the notice of the resolution and circulating the statement given by that requisitionist to all Shareholders in accordance with the requirements under the Listing Rules (unless the Company otherwise resolves).

The rights and procedures for proposing resolution to be put forward by Shareholders at a general meeting is posted on the Company's website (www.zhuguang.com.hk).

(4) Procedures to send enquiries to the Board

Any enquiry is welcome to be presented to the Board by the Shareholders and any proposal relating to the business, strategy and management of the Company is welcome to be presented at general meeting for review and discussion. Such enquiry or proposal can be submitted in writing with contact information and deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary).

COMPANY SECRETARY

Pursuant to the requirements of Rule 3.29 of the Listing Rules, the Company Secretary, Mr. Choi Kwok Keung Sanvic confirmed that he had taken no less than 15 hours of relevant professional training during FY2022.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During FY2022, the Company has made amendments to its Bye-Laws to (i) bring the Bye-Laws in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) allow electronic and hybrid general meetings of the Company to be convened; and (iii) make other consequential and house-keeping amendments. The amended and restated Bye-Laws were adopted by the Company with effect from 4 July 2022 pursuant to the resolution passed by the Shareholders on 24 June 2022. Further details of the amendments are set out in the announcements of the Company dated 22 April 2022, 24 June 2022 and 4 July 2022 and the circular of the Company dated 13 May 2022. The consolidated memorandum of association of the Company and the amended and restated Bye-Laws are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Company is disseminated to the Shareholders in a timely manner through a number of formal channels, which include the interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company (www.zhuguang.com.hk).

The AGM provides a useful platform for the Shareholders to exchange views with the Board. The Chairman and the chairman of each committee of the Board are available at the AGM to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the AGM to assist the Directors in addressing any relevant queries from the Shareholders. To ensure the Board is maintaining an ongoing dialogue with the Shareholders, the Shareholders are encouraged to attend the AGM or other general meetings of the Company. The AGM notice is sent to the Shareholders at least 21 clear days before the AGM. The notice is also published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). Separate resolutions are proposed at the general meetings on each substantially separate issue. A Shareholder is permitted to appoint any number of proxies to attend and vote on his behalf. All resolutions put forward at shareholders' meetings of the Company will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and of the Company immediately after the relevant general meetings.

To ensure effective communication with the Shareholders, the Company highly values any opinion from the Shareholders. Comments and suggestions are welcome and can be addressed to the Company by mail to the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company has reviewed the implementation and effectiveness of its shareholders' communication policy during FY2022. All members of the Board and the Company's external auditor, Ernst & Young, attended the 2022 AGM held on 24 June 2022 (being the only shareholders' meeting convened by the Company in FY2022) to answer questions from the Shareholders attending the meeting. In addition, information relating to the Company, including interim and annual reports, announcements, circulars and poll results of the 2022 AGM, as well as notice of the 2022 AGM have been published or sent to the Shareholders in accordance with the requirements under the Listing Rules and the Bye-Laws during FY2022. In view of the above, the Company considered its shareholders' communication policy to be effective.

The Directors herein submit their report together with the audited consolidated financial statements of the Group for FY2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 1.1 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance, including an analysis on the Group's financial key performance indicators, an indication of the likely future developments in the Group's business, employment policy of the Group and important events of the Company occurring after the end of FY2022, can be found in the "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 4 to 24 of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 44 to the consolidated financial statements.

An analysis of the Group's performance during FY2022 using its key financial information is set out in the Five-Year Financial Summary on page 236 of this annual report.

The Group is committed to building a better environment by adopting an environmentally-friendly approach in its business operations. The Group is also committed to complying with all applicable environmental laws and regulations in conducting its business. The Group aims to reduce emissions and use of resources in its operations through the following measures:

- Enhance the efficiency of the resources used in the Group's business operations;
- Adopt the use of energy-efficient equipment across the Group's properties and offices;
- Encourage employees to minimise their daily use of resources, such as electricity;
- Encourage contractors and/or service providers to adopt environmentally-friendly practices in their design, services and products; and
- Undertake property development projects which are conducive to environmental protection and to obtain environmental certification on such projects.

During FY2022, the Group has continued to adopt measures beneficial to its energy saving and emission reduction, which included regular upgrades and maintenance of its air-conditioning systems and equipment, and the use of recycled papers.

Further information about the Company's environmental policies and performance can be found in the ESG Report on pages 25 to 80 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries were incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's principal business activity is property development in the PRC which is a highly regulated industry. Property developers in the PRC must abide by various laws and regulations in the country, including rules stipulated by the national and local governments. To engage in property development, the Group must apply to the relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any such certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to the Group's operations and business, which include laws and regulations relating to:

- Establishment and qualification of real estate development, including the City Real Estate Management Regulation*《城市房地產管理法》, the PRC City Planning Regulation*《中華人民共和國城鄉規劃法》, the PRC Construction Regulation*《中華人民共和國建築法》and the City Real Estate Development Operation Management Rules*《城市房地產開發經營管理條例》; and

- Sale of commodity properties, including the City Commodity Properties Pre-Sale Management Regulation*《城市商品房預售管理辦法》.

If there is any non-compliance with the above rules and regulations, it will affect the Group's operations, development and financial performance. During FY2022, the Group complied with all the relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the summary of which is as follows:

Fierce industry competition

The fierce competition among property developers in China may lead to the increase in acquisition costs of land and construction costs in prime locations in China, oversupply of properties, decrease in price of the properties and slower approval and review of new property development projects by the relevant government authorities as well as the increase in the costs of human resources, all of which have an adverse impact on the business operations and profit of the Group.

Fluctuation of exchange rates

As the focus of the Group's operations is in China, most revenue and expenses of the Group are denominated in RMB. The exchange rates of the RMB against the US$ and other foreign currencies may fluctuate and may be affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Fluctuations in the exchange rates will affect the results of operations of the Group. As the 2022 Senior Notes (as defined in the paragraph headed "2022 SENIOR NOTES" below in this directors' report) are denominated in US$, the depreciation of RMB, if any, will further increase the finance costs of the Group.

** English name is translated for identification purpose only*

Fluctuation of interest rates

Interest-bearing debts are one of the primary financing sources for the Group to fund its operations. Part of the Group's loans are RMB-denominated and obtained from banks in the PRC, and carry floating interest rates. Thus, any adjustments in the interest rates made by the People's Bank of China will affect the finance costs of the Group.

External contractors and suppliers

In the event that the performance of the external contractors and suppliers entrusted by the Group falls short of the standards of the Group, or they encounter financial, operational or managerial difficulties, there may be disruption to the construction progress of the Group's property developments, and the Group may need to incur additional costs and may be potentially liable for compensation payable to the customers for delay in completion of property development and delivery of the properties.

Government policies and regulations

The real estate market in the PRC is highly subject to government policies and regulations. In order to curb the rapid rise in housing price and control speculative demand, the PRC government has imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limiting the selling price of properties (限價). Further, a series of regulations and policies have been issued by the PRC government to generally control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc.. It is uncertain whether the PRC government will relax or enhance the existing restrictive measures, or will introduce new restrictive measures in the future. The existing and any future restrictive measures may limit the Group's access to capital, reduce market demand for its products and increase the finance costs.

Impact of COVID-19

The outbreaks of the COVID-19 pandemic during FY2022 did not have material adverse impact on the business operations of the Group. At the onset of the pandemic, the Group had promptly established an internal management team responsible for the coordination of the pandemic prevention and control work and the monitoring of the implementation of pandemic-related policies throughout different business divisions of the Group. Benefited from the effective prevention measures adopted by both the Chinese government and the Group itself, COVID-19 had not caused any significant disruptions to the business operations of the Group in FY2022. However, regional outbreaks within the country leading to the imposition of various regulatory or administrative measures by the government to contain the spread of the disease, such as travel restrictions, quarantine requirements and lockdowns, will slow down general economic activities and have an adverse impact on the Group's business operations and financial performance. While the Group will continue to closely monitor the development of the pandemic, it will also adhere to the control measures that the government may adopt from time to time and review its own internal prevention policies and make adjustments when needed. In addition, to reduce the uncertainties that major outbreaks may bring to its business, the Group will also seek to secure more alternative suppliers to reduce its reliance on certain suppliers and speed up the pre-sale and sale of its properties under development and completed properties held for sale to strengthen its liquidity.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 4 to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of any dividend for FY2022 (FY2021: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 236.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2022 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 135 and 136, respectively.

RESERVES

Movements in reserves of the Group during FY2022 are set out in the consolidated statement of changes in equity on page 139.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution, computed in accordance with the Companies Act 1981 of Bermuda (as amended) were nil (31 December 2021: HK$664,583,000). In addition, the Company's share premium account in the amount of approximately HK$5,626,160,000 (31 December 2021: HK$5,626,160,000) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During FY2022, the Group made charitable contributions totalling approximately HK$1,812,000 (FY2021: HK$3,859,000).

PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during FY2022 are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in investment properties of the Group during FY2022 are set out in note 14 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is in force as at the date of this annual report and was in force throughout FY2022.

INVENTORIES

As at 31 December 2022, inventories consisted of properties under development and completed properties held for sale. Details of inventories of the Group during FY2022 are set out in notes 20 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2022 are set out in note 32 to the consolidated financial statements.

BORROWINGS

Particulars of the bank loans and other borrowings of the Group as at 31 December 2022 are set out in note 29 to the consolidated financial statements.

INTEREST CAPITALISED

Interest capitalised by the Group during FY2022 amounted to approximately HK$362,784,000 (FY2021: HK$270,829,000), details of which are set out in note 6 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all its employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes. During FY2022, total contribution of approximately HK$22,322,000 (FY2021: HK$14,933,000) was made by the Group in respect of the above-mentioned schemes, which are both defined contribution schemes. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

2022 SENIOR NOTES

The conditional note purchase agreement ("2022 Note Purchase Agreement") dated 22 September 2022 was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder (within the meaning of the Listing Rules), which is owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi; (c) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the "Existing Ultimate Shareholders") as personal guarantors; and (d) Blooming Rose Enterprises Corp. ("Blooming Rose"), Heroic Day Limited ("Heroic Day"), China Cinda (HK) Asset Management Co., Limited ("Cinda") and Quan Xing Holdings Limited (荃興控股有限公司) ("Quan Xing", together with Blooming Rose, Heroic Day and Cinda, collectively as "Investors") as investors, pursuant to which the Company shall conditionally issue to the Investors the 36-month 12% per annum senior secured guaranteed notes in the aggregate principal amount of US$210,000,000 (equivalent to approximately HK$1,638,000,000) ("2022 Senior Notes"), further details of which are set out in the announcement of the Company dated 22 September 2022.

Pursuant to the 2022 Note Purchase Agreement, on 22 September 2022, (a) Rong De entered into (i) a charge ("2022 Share Charge") over 3,000,000,000 Shares that it held in the Company; and (ii) a corporate guarantee ("Corporate Guarantee"), in favour of The Bank of New York Mellon, Hong Kong Branch ("BNY HK"); and (b) each of the Existing Ultimate Shareholders entered into a personal guarantee (collectively, the "Personal Guarantees", together with the Corporate Guarantee, the "2022 Guarantees") in favour of BNY HK. The 2022 Share Charge, which subsisted during FY2022 (with effect from 22 September 2022) and as at the date of this annual report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2022 Guarantees also subsisted during FY2022 (with effect from 22 September 2022) and as at the date of this annual report.

The conditions of the 2022 Senior Notes, which subsisted during FY2022 (with effect from 22 September 2022) and as at the date of this annual report, also contain certain conditions imposing specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)) and the Existing Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2022 Senior Notes, if amongst others:

(i) Rong De ceases to beneficially own not less than 3,670,000,000 Shares (and if there is a sub-division, consolidation or reclassification of those Shares, such number of Shares resulting from it);

(ii) Rong De ceases to (a) control the Company; or (b) beneficially own at least 51% of the entire issued share capital of the Company on a fully-diluted basis;

(iii) the persons who are or become shareholders of Rong De and who have agreed to be bound by the 2022 Note Purchase Agreement as a warrantor ("Ultimate Shareholders") cease to (a) control the Company; or (b) beneficially own at least 51% of the entire issued share capital of the Company on a fully-diluted basis;

(iv) the Ultimate Shareholders cease to (a) control Rong De; or (b) legally and beneficially own in aggregate at least 76.03% of the entire issued share capital of Rong De on a fully-diluted basis; and

(v) any of the Existing Ultimate Shareholders ceases to be a Director, except that Mr. Liao Tengjia may resign from the Board if he ceases to beneficially own any share in Rong De.

Upon the occurrence of an event of default, the 2022 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2022 Senior Notes.

The 2022 Senior Notes constitute direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and rank equally and without any preference amongst themselves, and the payment obligations of the Company under the 2022 Senior Notes shall (subject to any obligations preferred by mandatory provision of applicable laws and regulations) rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations issued, created or assumed by the Company.

On 22 September 2022, the Company issued the 2022 Senior Notes in the aggregate principal amount of US$210,000,000 (equivalent to approximately HK$1,638,000,000) due on 21 September 2025 to the Investors, which remained outstanding as at 31 December 2022.

The Board considered that the issue of the 2022 Senior Notes represented an opportunity to raise funds for the Company to repay the 2019 Indebtedness (as defined below).

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2022 Senior Notes to repay all the outstanding principal amount of the 2019 Senior Notes (as defined below) (to the extent such outstanding principal amount of the 2019 Senior Notes has not been set-off or otherwise settled as contemplated under the 2022 Note Purchase Agreement) payable to the 2019 Creditors (as defined below) in relation to the 2019 Indebtedness.

For the purpose of this paragraph headed "2022 SENIOR NOTES" above and the paragraph headed "REDEMPTION OF 2019 SENIOR NOTES AND EXPIRY OF 2019 WARRANTS" below, the defined terms used therein shall have the following meanings:

"2019 Creditors"	means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants, including the 2019 Noteholders;
"2019 Indebtedness"	means all outstanding indebtedness incurred by the 2019 Obligors under the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants (including the 2019 Note Indebtedness but excluding the 2019 Warrants Indebtedness) as at 22 September 2022;
"2019 Note Indebtedness"	means all outstanding indebtedness incurred by the 2019 Obligors under the 2019 Senior Notes as at 22 September 2022;
"2019 Noteholders"	means all registered holders of the outstanding 2019 Senior Notes as at 22 September 2022;
"2019 Obligors"	means the parties to the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants, other than the 2019 Noteholders, BNY HK, as the security agent and ABCI Securities Company Limited as the safekeeping agent;
"2019 Senior Notes"	means the senior secured guaranteed notes in the aggregate principal amount of US$410,000,000 due 2022 issued by the Company as constituted by the note certificates and the terms and conditions in relation thereto (as amended and supplemented from time to time), further details of which are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019;
"2019 Warrant Instrument"	means the warrant instrument dated 27 November 2019 executed by way of a deed poll by the Company in relation to the 2019 Warrants;
"2019 Warrants"	means the warrants with an aggregate amount of exercise moneys of US$61,500,000 of the Company which entitle holders thereof to subscribe for the Shares at the initial strike price of HK$1.6148 (as adjusted from time to time in accordance with the 2019 Warrant Instrument) with the final adjusted strike price being HK$1.54, as constituted by the 2019 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2019 Warrants as at 26 November 2022, further details of which are set out in the announcements of the Company dated 22 September 2019, 21 November 2019 and 27 August 2021 and the circular of the Company dated 5 November 2019; and
"2019 Warrants Indebtedness"	means all amounts payable to all registered holders of the outstanding 2019 Warrants as at 26 November 2022 under the 2019 Warrant Instrument as at 26 November 2022.

REDEMPTION OF 2019 SENIOR NOTES AND EXPIRY OF 2019 WARRANTS

On 22 September 2022, the Company fully redeemed the 2019 Senior Notes after having repaid the entire outstanding principal amount of the 2019 Senior Notes of US$242,850,000 (equivalent to approximately HK$1,894,230,000) with the proceeds from the issue of the 2022 Senior Notes and the internal financial resources of the Company. The 2019 Senior Notes were cancelled after their full redemption by the Company on 22 September 2022. As at 31 December 2022, none of the 2019 Senior Notes remained outstanding and all of the share charges and guarantees created to secure the payment obligations under the 2019 Senior Notes had been released.

None of the outstanding 2019 Warrants with an aggregate amount of exercise moneys of US$55,037,589 (equivalent to approximately HK$429,293,194) was exercised during FY2022 and all of them expired on 27 November 2022.

CCBIS MARGIN LOAN

On 25 October 2018, Splendid Reach Limited ("Splendid"), a wholly-owned subsidiary of the Company, as borrower, and CCB International Securities Limited (建銀國際證券有限公司) ("CCBIS"), as lender, entered into a margin loan confirmation ("CCBIS Margin Loan Confirmation") (as amended and supplemented by an amendment and restatement deed dated 24 April 2019 entered into between Splendid and CCBIS, a second amendment and restatement deed dated 1 November 2019 entered into between Splendid and CCBIS, a third amendment and restatement deed dated 30 October 2020 entered into between Splendid and CCBIS, a fourth amendment and restatement deed dated 29 October 2021 entered into between Splendid and CCBIS and a fifth amendment and restatement deed dated 28 October 2022 entered into between Splendid and CCBIS), under which CCBIS agreed to make available to Splendid a margin loan ("CCBIS Margin Loan") over the term ("Term") commencing from (and including) the first drawdown date of the CCBIS Margin Loan ("First Drawdown Date") and maturing on 30 October 2023 (provided that if such date does not fall on a business day, then the next business day) ("Maturity Date"), in the principal amount of up to HK$750,000,000 (for the first five business days of the Term), HK$550,000,000 (from and including the sixth (6th) business day of the Term to 29 April 2019), HK$510,000,000 (from and including 30 April 2019 to 30 May 2019), HK$490,000,000 (from and including 31 May 2019 to 30 July 2019), HK$450,000,000 (from and including 31 July 2019 to 30 October 2019), HK$430,000,000 (from and including 31 October 2019 to 30 January 2020), HK$400,000,000 (from and including 31 January 2020 to 29 April 2020), HK$360,000,000 (from and including 30 April 2020 to 29 October 2020), HK$330,000,000 (from and including 30 October 2020 to 29 April 2021), HK$290,000,000 (from and including 30 April 2021 to 29 January 2022), HK$270,000,000 (from and including 30 January 2022 to 29 April 2022), HK$250,000,000 (from and including 30 April 2022 to 29 October 2022), HK$235,000,000 (from and including 30 October 2022 to 29 January 2023), HK$220,000,000 (from and including 30 January 2023 to 29 April 2023) and HK$200,000,000 (from and including 30 April 2023 to the Maturity Date). The interest of the CCBIS Margin Loan which is payable quarterly, shall accrue (i) from and including the First Drawdown Date to 31 March 2019 at a simple interest rate of 7.75% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (ii) from and including 1 April 2019 to 30 October 2019 at a simple interest rate of 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iii) from and including 31 October 2019 up to and including 30 October 2020 at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iv) from and including 31 October 2020 up to and including 30 October 2021 at a simple interest rate of 3-month HIBOR + 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (v) from and including 31 October 2021 up to and including 30 October 2022 at a simple interest rate of 3-month HIBOR + 8.5% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (vi) from and including 31 October 2022 up to and including the date of full principal repayment at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan. Further details of the CCBIS Margin Loan are set out in the announcements of the Company dated 25 October 2018, 1 November 2019, 30 October 2020, 29 October 2021 and 28 October 2022. As at 31 December 2022, the amount of HK$235,000,000 was outstanding under the CCBIS Margin Loan.

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder (within the meaning of the Listing Rules), which is beneficially owned as to 36.00% by Mr. Liao Tengjia, 34.06% by Mr. Chu Hing Tsung and 29.94% by Mr. Chu Muk Chi, each being an executive Director) was required to enter into a charge dated 25 October 2018 ("SL Rong De Charge"), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS ("SL Rong De Account"), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the First Drawdown Date ("SL Rong De Charged Shares First Batch") and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term ("SL Rong De Charged Shares Second Batch", together with the SL Rong De Charged Shares First Batch, collectively as the "Aggregate SL Rong De Charged Shares"); and (b) the Company, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi were required to enter into a continuing guarantee dated 25 October 2018 ("CCBIS Continuing Guarantee"), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge, which subsisted during FY2022 and as at the date of this annual report, is disclosable pursuant to Rule 13.17 of the Listing Rules. As at 31 December 2022, out of the Shares deposited by Rong De into the SL Rong De Account, 922,000,000 Shares were in relation to the CCBIS Margin Loan. The CCBIS Continuing Guarantee subsisted during FY2022 and as at the date of this annual report.

The conditions of the CCBIS Margin Loan which subsisted during FY2022 and as at the date of this annual report, also contain certain specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)), which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

Under the CCBIS Margin Loan Confirmation, Splendid shall procure Rong De to:

(i) deposit the SL Rong De Charged Shares First Batch into the SL Rong De Account prior to the First Drawdown Date;

(ii) deliver the SL Rong De Charge prior to the First Drawdown Date;

(iii) deposit the SL Rong De Charged Shares Second Batch into the SL Rong De Account on or before the 60th day of the Term;

(iv) maintain its deposit of the Aggregate SL Rong De Charged Shares in the SL Rong De Account, and shall procure Rong De not to charge, mortgage, pledge, or otherwise permit any encumbrance to be created over the Aggregate SL Rong De Charged Shares (other than the encumbrance created pursuant to the SL Rong De Charge or otherwise agreed by CCBIS);

(v) not to apply for registration as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance without having obtained the prior written consent of CCBIS;

(vi) in the event that Rong De has obtained the prior written consent to apply for registration as a non-Hong Kong Company as set out in (v) above, Rong De shall procure that the prescribed particular of the SL Rong De Account together with the SL Rong De Charge be delivered to the Companies Registry of Hong Kong for the registration of the SL Rong De Charge and promptly deliver the certificate of such registration of the SL Rong De Charge to CCBIS;

(vii) promptly after execution of the SL Rong De Charge, instruct its registered agent to enter particulars as required by the BVI Business Companies Act 2004 of the British Virgin Islands ("BVI Act"), as amended, of the security created pursuant to the SL Rong De Charge in Rong De's register of charges ("Rong De Register of Charges");

(viii) enter particulars as required by the BVI Act of the security created pursuant to the SL Rong De Charge in the Rong De Register of Charges and, immediately after entry of such particulars have been made, provide CCBIS with a certified true copy of the updated Rong De Register of Charges;

(ix) effect registration, or assist CCBIS in effecting registration, of the SL Rong De Charge with the Registrar of Corporate Affairs pursuant to the BVI Act; and

(x) immediately on receipt, deliver or procure to be delivered to CCBIS, the certificate of registration of charge issued by the Registrar of Corporate Affairs evidencing that the requirements of Part VIII of the BVI Act as to registration have been complied with and the filed stamped copy of the application containing the relevant particulars of charge.

A breach of any of the above acts by Rong De shall constitute an event of default, which shall cause the CCBIS Margin Loan to become immediately due and repayable in accordance with the conditions of the CCBIS Margin Loan.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2022, the Group's revenue attributable to the Group's largest and five largest customers was approximately 60% and 67%, respectively. For FY2022, purchases from the Group's largest and five largest suppliers accounted for approximately 46% and 61% of the total purchases of the Group, respectively.

Save as disclosed in note 41 to the consolidated financial statements, none of the Directors and their close associates or any Shareholder (who, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had interest in the above customers and suppliers at any time during FY2022.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment for its employees and emphasises the personal development of its employees. The Group organises various social and recreational activities, including annual dinner and birthday parties, to strengthen the bonding among its employees and promote their sense of belonging. During FY2022, there was no material non-compliance with relevant laws and regulations that had a significant impact on the Group relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare with respect to its employees.

The Group understands that it is important to maintain good relationships with its customers and provide its products in a way that satisfies the needs and requirements of its customers. The Group enhances its customer relationships by continuous interaction with its customers to gain an insight on the changing market demand so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure complaints from customers are dealt with in a prompt and timely manner. Because of its business nature, the Group does not rely on any major customers and no credit terms are granted to them.

The Group is also dedicated to developing good relationships with its suppliers and contractors as long-term business partners to ensure stability of its business. The Group reinforces business partnerships with its suppliers and contractors by ongoing communication with them in a proactive and effective manner so as to ensure the quality and timely delivery of their products and services.

DIRECTORS

During FY2022 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Officer, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke.

Mr. Liu Jie, Mr. Chu Muk Chi and Mr. Leung Wo Ping *JP* will retire from office by rotation at the forthcoming annual general meeting in accordance with Bye-Law No. 87 of the Bye-Laws and, being eligible, will offer themselves for re-election.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were changes in the information required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office.

Dr. Feng Ke, an independent non-executive Director, ceased to be (i) a non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1396) with effect from 1 March 2023; and (ii) an executive director of Asian Capital Resources (Holdings) Limited (a company the shares of which are listed on GEM of the Stock Exchange with stock code: 8025) with effect from 3 March 2023.

Save as the aforesaid, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to the Shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or subsisted during FY2022.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with no fixed term of service with the Company. Such letter of appointment can be terminated by either party giving three months' written notice.

None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for FY2022 are set out in notes 8 and 9 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at 31 December 2022, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%
Liao Tengjia	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%
Liu Jie	Beneficial owner	1,144,000	0.02%
Ye Lixia	Beneficial owner	810,000	0.01%

Notes:

1. 4,830,591,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 922,000,000 Shares and 3,000,000,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. The total number of the issued Shares as at 31 December 2022 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Capacity	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	11,928,000	0.52%

(b) Save as disclosed in this annual report, as at 31 December 2022, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

On 29 October 2018 and 30 November 2021, the Company issued perpetual capital securities ("Aggregated Perpetual Securities") in the aggregate principal of HK$800,000,000 and HK$250,000,000 at distribution rates of 6% and 8% per annum, respectively, to Rong De (the controlling shareholder of the Company), which is beneficially owned as to 36.00% by Mr. Liao Tengjia, 34.06% by Mr. Chu Hing Tsung and 29.94% by Mr. Chu Muk Chi, each being an executive Director. The Aggregated Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. Pursuant to each of the Aggregated Perpetual Securities, while distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Aggregated Perpetual Securities were used for financing the corporate funding requirement of the Group. The Aggregated Perpetual Securities subsisted during FY2022.

Save as disclosed above and in the paragraph headed "CONTINUING CONNECTED TRANSACTIONS" in this directors' report below and in note 41(b) to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of FY2022 or at any time during FY2022.

No arrangements to which the Company or any of its subsidiaries or its holding company was a party and whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted at the end of FY2022 or at any time during FY2022.

Save for the Aggregated Perpetual Securities disclosed above, no other contract of significance entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries subsisted at the end of FY2022 or at any time during FY2022. No such contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during FY2022.

COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, during FY2022 and as at 31 December 2022, Mr. Liao Tengjia, being an executive Director, was interested as a consultant in companies that were engaged in the businesses of property development, investment and property rental in the PRC ("Competing Businesses"). As such, he was regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Director cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Director in the Competing Businesses will not prejudice his capacity as Director nor compromise the interests of the Group and the Shareholders.

Other than as disclosed above, none of the Directors or any of their respective associates of the Company was interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) As at 31 December 2022, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholder

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issue share capital of the Company (Note 9)
Rong De (Note 1)	Beneficial owner	4,830,591,289	66.85%

Interests of other persons

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
CCBIS (Note 1)	Security interest	922,000,000	12.76%	–	–
Central Huijin Investment Limited ("Central Huijin") (Note 2)	Interest of controlled corporations	3,000,000,000	41.52%	–	–
Agricultural Bank of China Limited ("ABCL") (Note 2)	Security interest	3,000,000,000	41.52%	–	–
Ministry of Finance of the People's Republic of China ("MOF") (Note 3)	Security interest	3,000,000,000	41.52%	–	–
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,002,499,019	41.55%	–	–
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,000,000,000	41.52%	–	–
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	3,418,500,000	47.31%	–	–
Quan Xing (Note 6)	Beneficial owner	418,500,000	5.79%	–	–
	Security interest	3,000,000,000	41.52%	–	–
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	92,336,000	1.28%	–	–
	Security interest	1,586,000,000	21.95%	–	–
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	3,000,000,000	41.52%	–	–

Notes:

1. The Shares comprised the 4,830,591,289 Shares beneficially owned by Rong De as stated under "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures — Long position in the Shares". To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 922,000,000 Shares and 3,000,000,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. According to the disclosure of interest notice filed by Central Huijin on 29 November 2022, Heroic Day held direct interest in 3,000,000,000 Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. ABCL is in turn owned as to 40.03% by Central Huijin. Accordingly, ABCIIM, ABCIH, ABCL and Central Huijin are deemed to be interested in the Shares held by Heroic Day by virtue of the provisions of the SFO.

3. According to the disclosure of interest notice filed by MOF on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCIIM, which is in turn wholly-owned by ABCIH. ACBIH is a wholly-owned subsidiary of ABCL, which is owned as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Heroic Day ceased to hold (i) 361,112,000 Shares with effect from 22 September 2022 due to the Company's refinancing of the 2019 Senior Notes by way of the 2022 Senior Notes; and (ii) 50,718,355 underlying Shares with effect from 27 November 2022 as a result of the expiry of the 2019 Warrants.

4. According to the disclosure of interest notice filed by BNY on 30 September 2022, the Bank of New York Mellon held direct interest in 3,002,499,019 Shares and a lending pool of 2,419,019 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 28 November 2022, Blooming Rose held direct interest in 3,000,000,000 Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International is held as to 50% by Wise Leader Assets Ltd ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares held by Blooming Rose by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by Quan Xing on 28 November 2022, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,418,500,000 Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares held by Quan Xing by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by CHAMCL on 7 April 2021 ("CHAMCL Notice"), Beyond Steady Limited ("Beyond Steady"), a wholly-owned subsidiary of Linewear Assets Limited ("Linewear"), held direct interest in 92,336,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("Huarong International"). Huarong International is held as to 21.01% by Camellia Pacific Investment Holding Limited ("Camellia Pacific") and as to 29.98% by Right Select International Limited ("Right Select"). Each of Camellia Pacific and Right Select is a wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"). CHIH is held as to 15.16% by 華融致遠投資管理有限責任公司 (Huarong Zhiyuan Investment & Management Co., Ltd.*) ("HZY"), which is a wholly-owned subsidiary of CHAMCL, and 84.84% by CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, Right Select, CHIH, HZY and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, 中國華融資產管理股份有限公司(廣東省分公司) (China Huarong Asset Management Company Limited, (Guangdong Branch)*) ("CHAMCLGDBR") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.

** English name is translated for identification purpose only*

8. According to the disclosure of interest notices filed by CCAM, China Cinda (HK) Holdings Company Limited ("CCHK") and Cinda on 27 September 2022, Cinda held direct interest in 3,000,000,000 Shares and 62,599,083 underlying Shares. Cinda is a wholly-owned subsidiary of CCHK, which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Cinda ceased to hold the 62,599,083 underlying Shares with effect from 27 November 2022 as a result of the expiry of the 2019 Warrants.

9. The total number of issued Shares as at 31 December 2022 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

(b) Save as disclosed above, the Directors and the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 31 December 2022, who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

CONTINUING CONNECTED TRANSACTIONS

On 23 January 2020, the Group entered into eight pre-delivery management agreements ("Pre-delivery Management Agreements") and eleven post-delivery management agreements ("Post-delivery Management Agreements", together with the Pre-delivery Management Agreements, collectively, the "Management Agreements") with 廣州珠光物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("2020 Management Company") for a term from 23 January 2020 to 31 December 2022 (both dates inclusive), pursuant to which the Management Company agreed to provide various pre-delivery management services (such as advising on project planning and design, sales assistance services and property delivery services) ("Pre-delivery Management Services") and post-delivery management services (such as repair, operation and management of common facilities and equipment, public utilities and ancillary buildings, greening and landscape maintenance and collecting fees from property owners and users) ("Post-delivery Management Services") in respect of eleven property projects in the PRC ("Projects") to the Group. For the Pre-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, which consist of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Group and the Management Company, and 10% thereof. With respect to the Post-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, comprising of (i) property management fees of the unsold units in the relevant Projects, ranging from RMB1.2 per sqm to RMB45 per sqm (subject to the property type) based on the GFA of the relevant unsold units and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved in writing by the parties to the relevant Post-delivery Management Agreements; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in the relevant Projects, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in the relevant Projects.

** English name is translated for identification purpose only*

On 23 January 2020, the Management Company entered into a pre-delivery property management service agreement ("AEC Pre-delivery Management Agreement") and a post-delivery property management service agreement ("AEC Post-delivery Management Agreement", together with AEC Pre-delivery Management Agreement, collectively, the "AEC Management Agreements") with 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("Guangzhou Project Company"), (a then independent third party which has become a wholly-owned subsidiary of the Company with effect from the completion of the acquisition of the remaining 49% of the equity interest of the Guangzhou Project Company by the Group ("Second AEC Acquisition") on 24 March 2021 ("Second AEC Completion Date")) for a term from 23 January 2020 to 31 December 2022 (both dates inclusive), pursuant to which the Management Company agreed to provide to Guangzhou Project Company, the Pre-delivery Management Services and the Post-delivery Management Services in respect of Zhuguang Financial Town One, a property project held by the Guangzhou Project Company. Pursuant to the AEC Pre-delivery Management Agreement (together with the Pre-delivery Management Agreements, collectively, the "2020 Pre-delivery Management Agreements"), the Guangzhou Project Company shall pay management fees in cash and in arrears on a monthly basis, which consist of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Guangzhou Project Company and the Management Company, and 10% thereof. Pursuant to the AEC Post-delivery Management Agreement (together with the Post-delivery Management Agreements, collectively, the "2020 Post-delivery Management Agreements"), the Guangzhou Project Company shall pay management fees to the Management Company in cash and in arrears on a monthly basis, comprising of (i) property management fees of unsold units in Zhuguang Financial Town One, in the amounts of RMB5.8 per sqm (in respect of apartments) and RMB28 per sqm (in respect of offices), based on the GFA of the relevant unsold units and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved by the parties to the AEC Post-delivery Management Agreement; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in Zhuguang Financial Town One, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in Zhuguang Financial Town One.

As at the date of the 2020 Management Agreements, 90% of the equity interest of the Management Company was owned by Ms. Zhu Ziyu* (朱梓瑜) ("Ms. Zhu"). Given that Ms. Zhu is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the Chairman and a 34.06% shareholder of Rong De (a controlling Shareholder (within the meaning of the Listing Rules)); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (a controlling Shareholder (within the meaning of the Listing Rules)), Ms. Zhu is an associate of Mr. Chu Hing Tsung and a deemed connected person of Mr. Chu Muk Chi, making the Management Company a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Management Agreements ("CCTs") constituted continuing connected transactions of the Company under the Listing Rules with effect from the date of the 2020 Management Agreements.

In March 2020, the Group completed the acquisition of 51% of the equity interest of the Guangzhou Project Company through its acquisition of 100% of the issued share capital of All Flourish, upon which the Guangzhou Project Company was accounted for by the Group as a joint venture using the equity accounting method under the applicable accounting standards. On 24 March 2021, the Group completed the acquisition of the remaining 49% equity interest in the Guangzhou Project Company through the Second AEC Acquisition, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, making the transactions contemplated under the AEC Management Agreements ("AEC CCTs") continuing connected transactions of the Company under the Listing Rules with effect from the Second AEC Completion Date.

** English name is translated for identification purpose only*

As the AEC CCTs and the 2020 CCTs (collectively, the "Aggregated 2020 CCTs") are similar in nature and were entered into by the Group with the same connected person, the AEC Management Agreements and the 2020 Management Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. The Aggregated 2020 CCTs are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of the Aggregated 2020 CCTs are set out in the announcements of the Company dated 23 January 2020 and 25 March 2021.

The aggregate amount of the fees paid/payable by the Group to the Management Company for the Pre-delivery Management Services and the Post-delivery Management Services in relation to the Aggregated 2020 CCTs for FY2022 amounted to approximately RMB17,150,000 (equivalent to approximately HK$19,915,000). The Aggregated 2020 CCTs subsisted as at the date of this annual report.

On 30 December 2022, the Group and the Management Company entered into six new pre-delivery management agreements ("2022 Pre-delivery Management Agreements") and 12 new post-delivery management agreements ("2022 Post-delivery Management Agreements", together with the 2022 Pre-delivery Management Agreements, collectively the "2022 Management Agreements"), each for a term of three years commencing from 1 January 2023 to 31 December 2025, so as to renew six of the 2020 Pre-delivery Management Agreements and all of the 2020 Post-delivery Management Agreements which were due to expire on 31 December 2022. Pursuant to the 2022 Pre-delivery Management Agreements, the Management Company shall provide Pre-delivery Management Services in respect of six Projects to the Group, and the Group shall pay fees in cash and in arrears on a monthly basis, consisting of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Group and the Management Company, and 10% thereof. Under the 2022 Post-delivery Management Agreements, the Management Company shall provide the Post-delivery Management Services to 12 Projects to the Group, and the Group shall pay fees in cash and in arrears on a monthly basis, comprising of (i) property management fees of the unsold units in the relevant Projects, ranging from RMB1.6 per sqm to RMB55 per sqm (subject to the property type) based on the GFA of the relevant unsold units in the relevant Projects and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved in writing by the parties to the relevant 2022 Post-delivery Management Agreements; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in the relevant Projects, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in the relevant Projects.

As at the date of the 2022 Management Agreements, 90% of the equity interest of the Management Company was owned by Ms. Zhu, making the Management Company a connected person of the Company under Chapter 14A of the Listing Rules. As a result, the transactions contemplated under the 2022 Management Agreements ("Aggregated 2022 CCTs") constituted continuing connected transactions of the Company under the Listing Rules with effect from the date of the 2022 Management Agreements. The Aggregated 2022 CCTs are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. The 2022 Management Agreements subsisted as at the date of this annual report. Further details of the 2022 Management Agreements are set out in the Company's announcement dated 30 December 2022.

As the term of the Aggregated 2022 CCTs only commenced on 1 January 2023, no fees were payable by the Group under the 2022 Management Agreements during FY2022.

The Group has followed the pricing policies and guidelines for the Aggregated 2020 CCTs when determining the price and terms of the Aggregated 2020 CCTs conducted during FY2022.

The independent non-executive Directors have reviewed the Aggregated 2020 CCTs and confirmed that the Aggregated 2020 CCTs were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Aggregated 2020 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued its unmodified letter containing the findings and conclusions in respect of the Aggregated 2020 CCTs disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. In the letter, Ernst & Young confirmed that, for FY2022, nothing has come to its attention that causes the Company's auditor to believe that:

(a) the Aggregated 2020 CCTs have not been approved by the Board;

(b) the Aggregated 2020 CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing the Aggregated 2020 CCTs; and

(c) with respect to the aggregate transaction amount of each of the Aggregated 2020 CCTs, the Aggregated 2020 CCTs have exceeded the relevant aggregated annual caps as set by the Company.

Save for the continuing connected transactions disclosed above, the execution of guarantees by certain Directors and the execution of share charges by Rong De as mentioned in the paragraphs headed "2022 SENIOR NOTES" and "CCBIS MARGIN LOAN" in this directors' report, none of the related party transactions as set out in note 41(b) to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company confirms that it complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules during FY2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 8 to 24.

CORPORATE GOVERNANCE REPORT

A corporate governance report of the Group is shown on pages 85 to 106.

AUDIT COMMITTEE

During FY2022 and as at the date of this annual report, the Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited results for FY2022, and discussed with the management regarding audit, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during FY2022 and up to the date of this annual report.

AUDITOR

Ernst & Young will retire, and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Chu Hing Tsung
Chairman

Hong Kong, 30 March 2023

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 135 to 235, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that for the year ended 31 December 2022, the Group incurred a net loss of approximately HK$1,022 million. Notwithstanding that the Group reported net current assets of approximately HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to approximately HK$6,381 million, including (1) secured borrowings of approximately HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of approximately HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. These conditions, along with other matters set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined that matters described below to be key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on receivables for urban redevelopment projects	
As at 31 December 2022, the Group had receivables for urban redevelopment projects of approximately HK$14,946 million, representing 40.3% of the Group's total assets. The allowance for expected credit losses as at 31 December 2022 was approximately HK$541 million. The Group engaged an external specialist to determine the model and perform the calculation of expected credit losses which reflects reasonable and supportable information that is available at the reporting date. Management judgements and estimates were made in assessing the allowance for expected credit losses on the Group's receivables for urban redevelopment projects. The Group had considered the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the expected credit losses. The Group had also assessed whether the credit risk on the receivables, of which most of them are from related companies of the Group, had increased significantly under the general approach. We identified this as a key audit matter due to the material amount to the Group's consolidated financial statements, and there were critical judgements involved in determining the parameters and estimates used in the impairment assessment and provision for any expected credit losses. Related disclosures are included in notes 2.5, 3 and 22 to the consolidated financial statements.	We obtained an understanding of and evaluated management's process in their assessment and estimates of expected credit losses on receivables for urban redevelopment projects by performing the following procedures: • assessing the management judgements and estimates made to determine expected credit losses, including, but not limited to, the credit risk considering historical and forward-looking factors and the criteria for determining if a significant increase in credit risk has occurred; • obtaining and examining the relevant supporting documents, including, but not limited to, the agreements, bank remittance advices, bank statements and financial position of the counterparties, if applicable; • performing background checks of these counterparties and performing site visits of the urban redevelopment projects; • evaluating the objectivity, independence and competence of the external specialist engaged by the Group; • involving our internal valuation specialists to assess the methodologies applied and the key parameters and estimates adopted in expected credit losses calculation on the receivables; and • assessing the adequacy of the disclosures regarding the allowance for expected credit losses in the consolidated financial statements.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2022, the Group held investment properties of approximately HK$3,771 million. The carrying amount of the investment properties represented 10.2% of the Group's total assets. A fair value loss on investment properties of approximately HK$184 million was recognised in profit or loss in current year. The Group engaged an external specialist to determine the fair value of the investment properties at the end of the reporting period. We identified this as a key audit matter due to the material amount to the Group's consolidated financial statements, and significant judgements and estimations involved in valuation models and determining the fair value of the investment properties. Related disclosures are included in notes 2.5, 3 and 14 to the consolidated financial statements.	Our procedures in relation to assessing the fair value measurement of the investment properties include: • evaluating the objectivity, independence and competency of the external specialist engaged by the Group; • involving our internal valuation specialists to evaluate the valuation models, assumptions, methodologies and parameters adopted in the valuation, on a sample basis; re-performing the valuation based on the market price, market rents, term yields and reversion yields of similar properties located in the adjacent locations by our internal valuation specialists; and comparing the valuations performed by the external specialist to the range of valuations provided by our internal valuation specialists; • assessing the accuracy of the data used as inputs for the valuation; and • assessing the adequacy of the disclosures regarding the fair value measurement of investment properties in the consolidated financial statements.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	5	**2,838,843**	2,985,021
Cost of sales		**(872,148)**	(722,410)
Gross profit		**1,966,695**	2,262,611
Other income and gains, net	5	**317,752**	623,983
Gain on disposal of subsidiaries		**–**	33,183
Gain on bargain purchase		**–**	257,505
Selling and marketing expenses		**(51,229)**	(50,416)
Administrative expenses		**(447,347)**	(453,235)
Changes in fair value of financial assets at fair value through profit or loss		**186,973**	381,434
Fair value (loss)/gain on investment properties, net	14	**(184,464)**	77,679
Impairment losses on financial assets, net		**(35,528)**	(80,344)
Other expenses, net		**(1,242,784)**	(660,345)
Finance costs, net	6	**(1,270,106)**	(1,510,796)
Share of loss of an associate		**(192,107)**	(429,391)
Share of profits/(losses) of joint ventures, net		**16**	(6,008)
(LOSS)/PROFIT BEFORE TAX	7	**(952,129)**	445,860
Income tax expense	10	**(69,630)**	(336,244)
(LOSS)/PROFIT FOR THE YEAR		**(1,021,759)**	109,616
Attributable to:			
Owners of the parent		**(997,194)**	71,018
Non-controlling interests		**(24,565)**	38,598
		(1,021,759)	109,616
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	12	**(14.74)**	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(1,021,759)**	109,616
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(410,382)**	(48,448)
Share of other comprehensive (loss)/income of an associate	**(140,228)**	36,713
Reclassification adjustments for a foreign operation disposed of during the year	**–**	(32,963)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(550,610)**	(44,698)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,572,369)**	64,918
Attributable to:		
Owners of the parent	**(1,528,480)**	23,603
Non-controlling interests	**(43,889)**	41,315
	(1,572,369)	64,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**289,286**	784,618
Investment properties	14	**3,770,968**	4,537,957
Intangible assets	15	**7,020**	9,241
Investments in joint ventures	18	**11,098**	12,108
Investment in an associate	19	**861,383**	1,193,718
Trade receivables	22	**4,188,597**	2,037,831
Financial assets at fair value through profit or loss	24	**13,288**	43,872
Deferred tax assets	31	**22,241**	5,168
Total non-current assets		**9,163,881**	8,624,513
CURRENT ASSETS			
Properties under development	20	**8,396,103**	11,517,439
Completed properties held for sale	21	**4,661,335**	2,502,264
Trade receivables	22	**10,429,190**	13,608,061
Prepayments, other receivables and other assets	23	**3,515,242**	2,470,085
Prepaid income tax		**180,325**	201,105
Financial assets at fair value through profit or loss	24	**13,434**	1,910,354
Cash and bank balances	25	**759,572**	2,063,976
Total current assets		**27,955,201**	34,273,284
CURRENT LIABILITIES			
Contract liabilities	26	**2,635,440**	2,386,942
Trade and other payables	27	**5,742,819**	5,517,933
Interest-bearing bank and other borrowings	29	**6,381,265**	7,623,362
Income tax payables	30	**3,467,128**	3,668,060
Derivative financial instruments	28	**—**	121,781
Total current liabilities		**18,226,652**	19,318,078
NET CURRENT ASSETS		**9,728,549**	14,955,206
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,892,430**	23,579,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other payables	27	**406,731**	470,397
Interest-bearing bank and other borrowings	29	**8,938,044**	11,572,634
Deferred tax liabilities	31	**2,196,137**	2,460,385
Total non-current liabilities		**11,540,912**	14,503,416
Net assets		**7,351,518**	9,076,303
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**722,564**	722,564
Reserves	33	**5,411,472**	7,007,952
		6,134,036	7,730,516
Perpetual capital securities	34	**1,119,753**	1,204,169
		7,253,789	8,934,685
Non-controlling interests		**97,729**	141,618
Total equity		**7,351,518**	9,076,303

Chu Hing Tsung
Director

Ye Lixia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to equity holders of the parent											
	Share capital HK$'000 (note 32)	**Share premium** HK$'000 (note 33(i))	**Merger reserve** HK$'000 (note 33(ii))	**Exchange fluctuation reserve** HK$'000	**Contributed surplus** HK$'000 (note 33(iii))	**Statutory reserve** HK$'000 (note 33(iv))	**Capital reserve** HK$'000 (note 33(v))	**Retained profits** HK$'000	**Perpetual capital securities** HK$'000 (note 34)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2021	719,442	5,564,286	(101,922)	(1,005,363)	239,404	6,668	(25,738)	3,017,456	904,416	9,318,649	100,303	9,418,952
Profit for the year	–	–	–	–	–	–	–	21,265	49,753	71,018	38,598	109,616
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations	–	–	–	(51,165)	–	–	–	–	–	(51,165)	2,717	(48,448)
Share of other comprehensive income of an associate	–	–	–	36,713	–	–	–	–	–	36,713	–	36,713
Reclassification adjustments for a foreign operation disposed of during the year	–	–	–	(32,963)	–	–	–	–	–	(32,963)	–	(32,963)
Total comprehensive income/(loss) for the year	–	–	–	(47,415)	–	–	–	21,265	49,753	23,603	41,315	64,918
Issue of shares (note 32)	3,122	61,874	–	–	–	–	–	–	–	64,996	–	64,996
Dividend paid (note 11)	–	–	–	–	–	–	–	(722,563)	–	(722,563)	–	(722,563)
Transfer to statutory reserves	–	–	–	–	–	34,933	–	(34,933)	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	–	–	–	–	250,000	250,000	–	250,000
At 31 December 2021 and 1 January 2022	**722,564**	**5,626,160***	**(101,922)***	**(1,052,778)***	**239,404***	**41,601***	**(25,738)***	**2,281,225***	**1,204,169**	**8,934,685**	**141,618**	**9,076,303**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,065,194)**	**68,000**	**(997,194)**	**(24,565)**	**(1,021,759)**
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(391,058)**	**–**	**–**	**–**	**–**	**–**	**(391,058)**	**(19,324)**	**(410,382)**
Share of other comprehensive loss of an associate	**–**	**–**	**–**	**(140,228)**	**–**	**–**	**–**	**–**	**–**	**(140,228)**	**–**	**(140,228)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(531,286)**	**–**	**–**	**–**	**(1,065,194)**	**68,000**	**(1,528,480)**	**(43,889)**	**(1,572,369)**
Distribution paid to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(152,416)**	**(152,416)**	**–**	**(152,416)**
At 31 December 2022	**722,564**	**5,626,160***	**(101,922)***	**(1,584,064)***	**239,404***	**41,601***	**(25,738)***	**1,216,031***	**1,119,753**	**7,253,789**	**97,729**	**7,351,518**

* These reserve accounts comprise the consolidated reserves of HK$5,411,472,000 (2021: HK$7,007,952,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(952,129)**	445,860
Adjustments for:			
Finance costs	6	**1,270,106**	1,510,796
Share of loss of an associate		**192,107**	429,391
Share of (profits)/losses of joint ventures		**(16)**	6,008
Interest income	5	**(49,485)**	(112,174)
Depreciation of property and equipment	7	**34,870**	7,271
Depreciation of right-of-use assets	7	**8,488**	8,446
Amortisation of intangible assets	7	**1,492**	1,721
Gain on a settlement arrangement relating to a consideration receivable	5	**(68,234)**	—
Fair value (gain)/loss on derivative financial instruments, net	7	**(122,532)**	116,147
Change in fair value of investment properties	14	**184,464**	(77,679)
Changes in fair value of financial assets at fair value through profit or loss		**(186,973)**	(381,434)
Gain on disposal of subsidiaries	36	**—**	(33,183)
Gain on bargain purchase	35	**—**	(257,505)
Impairment of goodwill	7	**—**	128,292
Impairment of properties under development and completed properties held for sale	7	**150,576**	103,393
Impairment of property and equipment	7	**428,083**	—
Impairment of financial assets	7	**35,528**	80,344
Loss on disposal of a joint venture		**—**	3,401
(Gain)/loss on disposal of investment properties		**(2,838)**	152
Remeasurement loss on pre-existing interests	7	**—**	250,285
Exchange gain on intercompany loans		**(5,348)**	(43,757)
		918,159	2,185,775
Decrease/(increase) in properties under development and completed properties held for sale		**178,254**	(639,021)
Decrease/(increase) in trade receivables		**1,132,071**	(1,218,502)
Decrease in prepayments, other receivables and other assets		**585,030**	723,128
Increase in contract liabilities		**30,375**	837,587
Decrease in trade and other payables		**(440,463)**	(19,125)
Increase in restricted cash		**(62,237)**	(48,257)
Cash generated from operations		**2,341,189**	1,821,585
Corporate income tax paid		**(38,217)**	(65,063)
Net cash flows from operating activities		**2,302,972**	1,756,522

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	35	–	(650,300)
Disposal of subsidiaries	36	–	23,932
Proceeds from disposal of investment properties		8,212	1,062
Proceeds from disposal of a joint venture		–	8,600
Refund of deposits for acquisition of equity interests in property development projects		–	712,896
Interest received		74,280	84,880
Investment in a joint venture		–	(6,129)
Purchases of items of property and equipment	13	(1,182)	(418,873)
Decrease in financial assets at fair value through profit or loss		411,018	2,481,261
Decrease in term deposits with initial terms of over three months		892,746	211,062
Decrease in restricted cash		521,530	313,794
Net cash flows from investing activities		1,906,604	2,762,185
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		3,694,143	1,556,733
Repayment of bank and other borrowings		(6,399,096)	(3,617,425)
Principal portion of lease payments		(7,395)	(3,570)
Advance from related parties		216,877	10,185
(Decrease)/increase in amounts due to the ultimate holding company		(82,688)	125,965
Decrease in an amount due to a joint venture		–	(154,789)
Proceeds from exercise of warrants		–	25,837
Dividend paid		–	(722,563)
Distribution paid to holders of perpetual capital securities		(152,416)	–
Interest paid		(1,422,348)	(1,712,493)
Net cash flows used in financing activities		(4,152,923)	(4,492,120)
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,653	26,587
Cash and cash equivalents at beginning of year		83,624	55,229
Effect of foreign exchange rate changes, net		(9,018)	1,808
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	131,259	83,624

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	25	**131,259**	83,624
Restricted cash	25	**628,313**	1,087,606
Term deposits with initial terms over three months	25	**—**	892,746
Cash and bank balances as stated in the statement of financial position		**759,572**	2,063,976
Guarantee deposits for construction projects	25	**(158,468)**	(122,322)
Term deposits pledged for bank borrowings granted to the Group	25	**(443,754)**	(965,284)
Deposits held at banks due to litigation	25	**(26,091)**	—
Term deposits with initial terms of over three months	25	**—**	(892,746)
Cash and cash equivalents as stated in the statement of cash flows		**131,259**	83,624

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1.1 CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 1996.

During the year, the Company's principal activity was investment holding and the Company and its subsidiaries (collectively the "Group") were principally engaged in property development, property management, property investment, hotel operation and other property development related services in the mainland of the People's Republic of China (the "PRC" or "Mainland China").

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Rong De Investment Limited ("Rong De"), which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Nam Fong International Group Limited	British Virgin Islands/ Hong Kong	US$10,000	100%	–	Investment holding
Zhuguang Group Limited (珠光集團有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
South Trend Holdings Limited (南興控股有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Splendid Reach Limited (熙達有限公司)	British Virgin Islands/ Hong Kong	US$138,000	100%	–	Investment holding
Perfect Master Enterprises Limited (佳儒企業有限公司)	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Project management
Graceful Link Limited (愉興有限公司)	Hong Kong	HK$2	–	100%	Property investment
Diamond Crown Limited (毅冠有限公司)	Hong Kong	HK$2	–	100%	Property investment
Speedy Full Limited (速溢有限公司)	Hong Kong	HK$2	–	100%	Property investment

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
Guangzhou City Runfa Property Company Limited @ (note (a)) (廣州市潤發房地產有限公司)	PRC/ Mainland China	RMB132,880,000	–	100%	Property development
Xianghe County Yijing Property Development Company Limited @ (note (a)) (香河縣逸景房地產開發有限公司)	PRC/ Mainland China	RMB148,410,100	–	100%	Property development
Guangdong Hailian Building Company Limited * (note (a)) (廣東海聯大廈有限公司)	PRC/ Mainland China	US$99,000,000	–	80%	Property development and property investment
Guangzhou Dong Gang He Zhong Property Company Limited @ (note (a)) (廣州東港合眾房地產有限公司)	PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Guangzhou Zhuguang Industrial Group Company Limited ("Zhuguang Industrial") * (note (a)) (廣州珠光實業集團有限公司)	PRC/ Mainland China	RMB160,000,000	–	100%	Property development and property investment
Guangzhou City Runqi Property Company Limited @ (note (a)) (廣州市潤啟房地產有限公司)	PRC/ Mainland China	RMB99,652,457	–	100%	Property development
Feng Shun Jia Rong Trading Company Limited # ("Jia Rong") (note (a)) (豐順佳榮貿易有限公司)	PRC/ Mainland China	RMB1,000,000	–	note (b)	Investment holding
Guangdong Xilong Industrial Investment Company Limited # ("Guangdong Xilong") (note (a)) (廣東喜龍實業投資有限公司)	PRC/ Mainland China	RMB120,000,000	–	note (b)	Property development and property investment
Fengshun Yujing Property Company Limited @ (note (a)) (豐順御景房地產有限公司)	PRC/ Mainland China	RMB200,000,000	–	100%	Property development
Guangdong Luhu Hot Spring Holiday Hotel Company Limited # (note (a)) (廣東鹿湖溫泉假日酒店有限公司)	PRC/ Mainland China	RMB2,000,000	–	100%	Hotel operation
Guangzhou Yunling Lake Hotel Company Limited # (note (a)) (廣州雲嶺湖酒店有限公司)	PRC/ Mainland China	RMB1	–	100%	Hotel operation

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Guangzhou Zhenchao Property Development Company Limited @ (note (a)) (廣州振超房地產開發有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Meizhou Yujing Property Company Limited @ (note (a)) (梅州御景房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Zhongshan Zhuguang Property Company Limited * (note (a)) (中山市珠光房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	50%	Property development
Guangzhou Zhuguang Urban Renewal Group Company Limited @ (notes (a)) (廣州珠光城市更新集團有限公司)	PRC/ Mainland China	RMB1,992,100,000	–	100%	Investment holding
Guangzhou Shunji Industry Company Limited @ (note (a)) (廣州舜吉實業有限公司)	PRC/ Mainland China	RMB12,500,000	–	100%	Property development
Guangzhou Development Automobile City Co., Ltd. ("AEC") @ (note (a)) (廣州發展汽車城有限公司)	PRC/ Mainland China	RMB901,960,800	–	100%	Property development

\# Registered as domestic limited liability companies under PRC law

@ Registered as wholly-foreign-owned enterprises under PRC law

* Registered as Sino-foreign equity entities under PRC law

Notes:

(a) The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English names.

(b) The Directors are of the opinion that, notwithstanding the lack of equity ownership, in substance, based on certain contractual agreements, the Group has control over Jia Rong and Guangdong Xilong so as to obtain benefits from their activities. Accordingly, Jia Rong and Guangdong Xilong are accounted for as the Company's indirect wholly-owned subsidiaries for accounting purposes.

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Going concern basis

During the year, the Group's performance was affected by the slow-down in the PRC property market and pressures on business operations were exacerbated by the COVID outbreak and lockdown measures, as well as prolonged negotiations on re-financing activities. For the year ended 31 December 2022, the Group incurred a net loss of HK$1,022 million. Notwithstanding that the Group reported net current assets of HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to HK$6,381 million, including (1) the secured borrowings of HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. As at 31 December 2022, the Group had cash and bank balances amounting to HK$760 million, of which HK$131 million was unrestricted.

During the year ended 31 December 2022, the secured borrowings of HK$617 million have not been repaid according to the scheduled repayment dates and remained outstanding as at 31 December 2022. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates of such borrowings. Subsequent to the end of the reporting period, in March 2023, the Group has entered into an agreement to extend the repayment of an existing loan in the amount of HK$208 million up to year 2024. The Directors expect that the refinancing of the remaining borrowings which were due for repayment as at the reporting date will be completed by 30 June 2023. As a result of the above, other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date have been reclassified as current liabilities at the reporting date. Up to the date of approval of these financial statements, the Group has not received any demand for immediate repayment for any of these borrowings.

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

In view of these circumstances, the Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 31 December 2022. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

(a) the Group has been proactively communicating with the relevant lenders on the Group's business plan, operations, and financial position. Based on the ongoing discussions, the Directors believe that the relevant lenders will not exercise their rights to request the Group for immediate repayment of any significant borrowings prior to their repayment dates in accordance with the relevant loan agreements;

(b) during the year, the Group has further terminated other urban redevelopment projects with related outstanding receivables of HK$3,023 million. These receivables are scheduled to be repaid in 2023;

(c) the Group is actively discussing with the lenders of certain bank and other borrowings on the re-financing of the existing borrowings;

(d) the Group will continue to accelerate the pre-sales and sales of its properties under development and completed properties, and collection of outstanding sales proceeds and other receivables;

(e) the Group will continue to take active measures to control administrative costs and manage its capital expenditure; and

(f) Rong De, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting year end date. Rong De has agreed to provide the necessary financial support to enable the Group to meet its liabilities as and when they fall due, to continue carrying on its principal business without a significant curtailment of operations, and not to demand for repayment of any amounts due to Rong De until the Group is in the position to repay without impairing its financial position.

The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from the reporting date, prepared by the management. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months. Accordingly, the Directors believe that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

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) continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings;

(b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities if needed;

(c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and

(d) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure for better working capital management.

Should the Group be unable to achieve the above-mentioned plans and measures, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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).

2.2 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKFRS 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") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 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 HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 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 HKAS 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 HKAS 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 HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

HKFRS 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 impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates and joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, land held for property development for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash- generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of owned property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of owned property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	5 years
Furniture, fittings and office equipment	3 to 5 years
Hotel properties	20 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of ranged from 15 to 20 years.

Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

For a transfer from inventories to investment properties, any difference between the fair value of the property at the date of change in use and its then carrying amount is recognised in the statement of profit or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use rights	40 years
Office properties	3 years
Motor vehicles	3 years

The Group's right-of-use assets are included in property and equipment. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of any office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial assets at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables (other than receivables for urban redevelopment projects and property investment and hotel operation) and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, amounts due to the ultimate holding company and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at amortised cost (loans and borrowings, and payables)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement (continued)

(b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

(c) Senior notes

Senior notes issued by the Company that contain both liability and early redemption option components (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability components and amortised over the period of the senior notes using the effective interest method.

(d) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise restricted cash, cash and cash equivalents including cash on hand and at banks, term deposits and assets similar in nature to cash, which are not restricted as to use.

Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay the principal or to pay any distribution are classified as part of equity.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when or as control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

Sale of properties

Revenue from sales of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from sales of property is recognised at a point in time.

For a property sales contract for which the control of the property is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of the total estimated construction costs for each contract.

For a property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

Project management services

Revenue from the provision of project management services is recognised over the term of the property development projects and urban redevelopment projects.

Hotel operation

Revenue from room sales is recognised over time on a daily basis. Hot spring admission income is recognised at the point in time when admission tickets are sold and redeemed by the customers. Catering income received from the sales of food and beverage is recognised at the point in time when the services are rendered.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance component of income from urban redevelopment projects is recognised on an accrual basis by applying the rate that exactly discounts the amount of receivables over the expected completion time of the urban redevelopment projects to the net carrying amount of the receivables of urban redevelopment projects.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Cost of obtaining contracts

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g., commission to sales agents. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollar which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, joint ventures and associates operating outside Hong Kong are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollar at the exchange rate that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollar at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development for sale included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction and included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Determining the method to estimate variable consideration and assessing the constraint for the project management service income

Contracts for the project management services include a right to share the profits from the performance of the underlying urban redevelopment projects that give rise to variable consideration. The Group determines that the expected value method is the appropriate method to be used in estimating the variable consideration, given that there is a wide range of possible outcomes which are subject to the performance of the underlying urban redevelopment projects. The key assumptions used in estimating the variable consideration by the management include budgeted gross margins and discount rate.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained, based on the uncertainty on probable profits from the performance of the urban redevelopment projects and the amount of the variable consideration.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment assessment on receivables for urban redevelopment projects

The Group uses a probability of default approach to calculate ECLs for receivables for urban redevelopment projects. Impairment losses on receivables for urban redevelopment projects were measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment assessment on receivables for urban redevelopment projects (continued)

The probability of default approach is the estimation of the likelihood of default over a given time horizon. It is defined as the probability of default of a counterparty over a one-year period or over the remaining time to maturity depending on either 12-month expected credit losses or lifetime expected credit losses. Probability of default is initially estimated based on the credit rating of the debtor provided by external ratings agencies. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the counterparties. The Group will adjust the historical credit loss experience with an economic adjustment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's receivables for urban redevelopment projects is included in note 22 to the financial statements.

Estimation of fair value of investment properties

Investment properties were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The carrying amount of investment properties at 31 December 2022 was HK$3,770,968,000 (2021: HK$4,537,957,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are included in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Fair value of financial assets at fair value through profit or loss

The Group had other receivables in respect of the funds provided for property development projects in the PRC which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funding provided and a variable return, which is determined with reference to the operating performance of the projects. The fair values of these other receivables are determined based on the discounted cash flow projections which require the Group to make an estimate of the expected future cash flows from the property development projects and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the other receivables stated at fair value through profit or loss at 31 December 2021 was HK$1,879,776,000. Further details are included in note 24 to the financial statements.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the tax authorities, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group realigned its reportable operating segments to be consistent with the Group's strategic initiatives and its operations of which the hotel business was regrouped under the property investment and hotel operation segment. Accordingly, the Group's financial results for the year ended 31 December 2022 are reported in the regrouped reportable segments and the three regrouped reportable operating segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

(c) the property investment and hotel operation segment invests in properties for their rental income potential and/or for capital appreciation and engages in hotel operation.

The Group's financial results for the year ended 31 December 2021 were also regrouped to conform with the new segment presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, gain on bargain purchase, gain on disposal of subsidiaries, share of profit/loss of joint ventures, net, share of profit/loss of an associate, impairment on investment in an associate included in other expenses, net, finance costs (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and an associate, deferred tax assets, unlisted investments classified as financial assets at fair value through profit or loss, cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities, derivative financial instruments, amount due to a joint venture and amounts due to the ultimate holding company as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

	Property development HK$'000	Project management services HK$'000	Property investment and hotel operation HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	890,037	1,705,171	243,635	2,838,843
Segment results	(437,366)	1,333,684	(492,724)	403,594
Reconciliation:				
Fair value gain on derivative financial instruments, net				122,532
Share of loss of an associate				(192,107)
Share of profits of joint ventures, net				16
Finance costs, net (other than interest on lease liabilities)				(1,269,795)
Corporate and other unallocated expenses				(16,369)
Loss before tax				(952,129)
Income tax expense				(69,630)
Loss for the year				(1,021,759)
Segment assets	15,560,868	15,620,538	4,256,660	35,438,066
Reconciliation:				
Corporate and other unallocated assets				1,681,016
Total assets				37,119,082
Segment liabilities	8,447,309	16,900	190,453	8,654,662
Reconciliation:				
Corporate and other unallocated liabilities				21,112,902
Total liabilities				29,767,564
Other segment information:				
Depreciation	1,735	6,435	35,188	43,358
Amortisation	1,492	–	–	1,492
Capital expenditure*	1,123	17,134	59	18,316
Fair value loss on investment properties, net	–	–	184,464	184,464
Impairment losses/(reversal of impairment losses) on financial assets, net	139,494	(107,426)	3,460	35,528
Impairment loss of hotel properties included in property and equipment	–	–	428,083	428,083
Impairment of properties under development and completed properties held for sale	150,576	–	–	150,576

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Property development HK$'000 (Restated)	Project management services HK$'000	Property investment and hotel operation HK$'000 (Restated)	Total HK$'000
Segment revenue:				
Sales to external customers	889,185	1,893,417	202,419	2,985,021
Segment results	(280,110)	2,545,948	223,815	2,489,653
Reconciliation:				
Fair value loss on derivative financial instruments, net				(116,147)
Gain on disposal of subsidiaries				33,183
Share of loss of an associate				(429,391)
Share of losses of joint ventures				(6,008)
Finance costs, net (other than interest on lease liabilities)				(1,509,824)
Corporate and other unallocated expenses				(15,606)
Profit before tax				445,860
Income tax expense				(336,244)
Profit for the year				109,616
Segment assets	16,707,190	17,395,180	5,446,007	39,548,377
Reconciliation:				
Corporate and other unallocated assets				3,349,420
Total assets				42,897,797
Segment liabilities	7,737,889	—	173,836	7,911,725
Reconciliation:				
Corporate and other unallocated liabilities				25,909,769
Total liabilities				33,821,494
Other segment information:				
Depreciation	8,462	—	7,255	15,717
Amortisation	1,721	—	—	1,721
Capital expenditure*	1,697	—	417,894	419,591
Fair value gain on investment properties, net	—	—	(77,679)	(77,679)
(Reversal of impairment losses)/ impairment losses on financial assets, net	(80,955)	161,299	—	80,344
Impairment of goodwill	88,384	—	39,908	128,292
Impairment of properties under development and completed properties held for sale	103,393	—	—	103,393

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would not provide additional useful information to the users of these financial statements.

Information about major customers

For the year ended 31 December 2022, revenue of approximately HK$1,705,171,000 (2021: HK$1,893,417,000) was derived from a single customer, including revenue derived from a group of entities which are known to be subsidiaries of that customer, and was attributable to the project management services segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2022 **HK$'000**	2021 HK$'000 (Restated)
Revenue from contracts with customers		
Sale of properties	**890,037**	889,185
Hotel operation income	**71,185**	5,973
	961,222	895,158
Revenue from other sources		
Finance component of income from urban redevelopment projects	**1,705,171**	1,893,417
Rental income from investment property operating leases:		
— fixed lease payments	**172,450**	196,446
	1,877,621	2,089,863
Total revenue	**2,838,843**	2,985,021

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 **HK$'000**	2021 HK$'000 (Restated)
Type of goods or services		
Sale of properties	**890,037**	889,185
Hotel operation income	**71,185**	5,973
	961,222	895,158
Timing of revenue recognition		
At a point in time	**858,245**	724,653
Over time	**102,977**	170,505
Total revenue from contracts with customers	**961,222**	895,158

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 **HK$'000**	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**838,763**	588,055

(ii) Performance obligations

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

Sale of properties

For a property sales contract for which the control of the property is transferred over time, the performance obligation is satisfied over time by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract. For a property sales contract for which the control of the property is transferred at a point in time, the performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

The contracted sales amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relating to the sale of properties as at the end of the year was HK$420,510,000 (2021: HK$447,078,000), of which the performance obligations are to be satisfied within two years. All other contracted sales amounts allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (continued)

Project management services

Revenue from the provision of project management services is recognised over the term of the property development projects and urban redevelopment projects. The revenue from the provision of project management services was not recognised during the year as the amount of consideration was subject to constraint.

Hotel operation income

The performance obligation of room sales and hot spring admission income to contracted sales agents and walk-in customers is satisfied as services are rendered and payment is generally received in advance. The performance obligation of catering income is satisfied as food and beverage products are delivered and payment is due immediately at the point when the customer purchases the food and beverage.

Other income and gains, net

An analysis of the Group's other income and gains, net is as follows:

	Note	2022 HK$'000	2021 HK$'000
Interest income		**49,485**	112,174
Management service income		**49,603**	76,759
Gain on a settlement arrangement relating to a consideration receivable	23(b)	**68,234**	—
Fair value gain on derivative financial instruments		**122,532**	—
Gain on disposal of investment properties		**2,838**	—
Foreign exchange differences, net		**—**	406,130
Others		**25,060**	28,920
		317,752	623,983

6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	2022 HK$'000	2021 HK$'000
Interest on bank and other borrowings and senior notes	**1,565,888**	1,731,164
Interest expense arising from revenue contracts	**66,691**	49,489
Interest on lease liabilities	**311**	972
Total interest expense	**1,632,890**	1,781,625
Less: interest capitalised	**(362,784)**	(270,829)
	1,270,106	1,510,796

7. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Cost of properties sold		**812,361**	718,725
Cost of service provided		**59,787**	3,685
Depreciation of property and equipment	13	**34,870**	7,271
Depreciation of right-of-use assets	13	**8,488**	8,446
Amortisation of intangible assets*	15	**1,492**	1,721
Fair value (gain)/loss on derivative financial instruments**		**(122,532)**	116,147
Lease payments not included in the measurement of lease liabilities		**14,466**	2,856
Auditor's remuneration		**5,800**	5,500
Foreign exchange differences, net**		**592,063**	(406,130)
Employee benefit expense (including directors' remuneration (note 8))			
Wages and salaries		**219,412**	252,026
Retirement benefit scheme contributions***		**22,322**	14,933
		241,734	266,959
Impairment losses on financial assets, net			
(Reversal of impairment)/impairment of trade receivables, net	22	**(103,966)**	161,299
Impairment/(reversal of impairment) of deposits and other receivables, net	23	**139,494**	(80,955)
		35,528	80,344
Impairment of properties under development and completed properties held for sale**		**150,576**	103,393
Impairment of goodwill**	17	**—**	128,292
Remeasurement loss on pre-existing interests**		**—**	250,285
Impairment loss of hotel properties included in property and equipment**	13	**428,083**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**38,384**	42,460

* The amortisation is included in "Administrative expenses" in the consolidated statement of profit or loss.

** These items are included in "Other income and gains, net"/"Other expenses, net" in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' REMUNERATION

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	1,440	1,440
Other emoluments:		
Salaries, allowances and benefits in kind	18,725	24,927
Pension scheme contributions	242	189
	18,967	25,116
	20,407	26,556

The remuneration of each of the Directors is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2022				
Executive directors:				
Mr. Chu Hing Tsung	–	3,000	18	3,018
Mr. Liao Tengjia	–	3,178	69	3,247
Mr. Huang Jiajue	–	4,125	70	4,195
Mr. Liu Jie*	–	5,469	70	5,539
Mr. Chu Muk Chi	–	960	15	975
Ms. Ye Lixia	–	1,993	–	1,993
	–	18,725	242	18,967
Independent non-executive directors:				
Mr. Leung Wo Ping	480	–	–	480
Mr. Wong Chi Keung	480	–	–	480
Dr. Feng Ke	480	–	–	480
	1,440	–	–	1,440
	1,440	18,725	242	20,407

8. DIRECTORS' REMUNERATION *(continued)*

The remuneration of each of the Directors is set out below: *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2021				
Executive directors:				
Mr. Chu Hing Tsung	—	3,000	18	3,018
Mr. Liao Tengjia	—	6,405	63	6,468
Mr. Huang Jiajue	—	3,254	27	3,281
Mr. Liu Jie*	—	8,083	63	8,146
Mr. Chu Muk Chi	—	960	18	978
Ms. Ye Lixia	—	3,225	—	3,225
	—	24,927	189	25,116
Independent non-executive directors:				
Mr. Leung Wo Ping	480	—	—	480
Mr. Wong Chi Keung	480	—	—	480
Dr. Feng Ke	480	—	—	480
	1,440	—	—	1,440
	1,440	24,927	189	26,556

* Mr. Liu Jie is also the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the current and prior years were all directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the majority of the Group's subsidiaries operate.

	2022 **HK$'000**	2021 HK$'000
Current:		
PRC CIT	**173,940**	327,988
PRC LAT	**71,293**	50,020
	245,233	378,008
Deferred (note 31)	**(175,603)**	(41,764)
Total tax charge for the year	**69,630**	336,244

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate for Mainland China in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the year, are as follows:

	2022 **HK$'000**	**%**	2021 HK$'000	%
(Loss)/profit before tax	**(952,129)**		445,860	
Tax charge at the statutory income tax rate	**(238,032)**	**25.0**	111,465	25.0
Lower tax rate for specific provinces or enacted by local authority	**(171,005)**	**18.0**	(93,184)	(20.9)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	18,245	4.1
Losses attributable to joint ventures and an associate	**31,695**	**(3.3)**	71,841	16.1
Adjustment in respect of deferred tax of previous periods	**(22,280)**	**2.3**	–	–
Income not subject to tax	**(101,583)**	**10.7**	(62,451)	(14.0)
Expenses not deductible for tax	**104,325**	**(11.0)**	48,568	10.9
Tax losses utilised from previous periods	**(887)**	**0.1**	–	–
Tax losses not recognised	**413,927**	**(43.5)**	204,245	45.8
PRC LAT	**71,293**	**(7.5)**	50,020	11.2
Tax effect on PRC LAT	**(17,823)**	**1.9**	(12,505)	(2.8)
Tax charge at the Group's effective rate	**69,630**	**(7.3)**	336,244	75.4

The share of tax credit attributable to an associate amounting to HK$15,552,000 (2021: tax charge of HK$4,510,000) was included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividend in respect of the year ended 31 December 2022 (2021: Nil) was proposed by the board of directors of the Company.

A final dividend and a special dividend in respect of the year ended 31 December 2020 of HK1 cent per share and HK9 cents per share, respectively, amounting to a total dividend of HK$722,563,000, were approved and paid during the year ended 31 December 2021.

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

The calculation of the basic (loss)/earnings per share amounts 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 7,225,632,753 (2021: 7,211,686,820) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	2022	2021
(Loss)/profit attributable to equity holders of the parent (HK$'000)	**(997,194)**	71,018
Distribution related to perpetual capital securities (HK$'000)	**(68,000)**	(49,753)
(Loss)/profit used in the basic and diluted earnings per share calculations (HK$'000)	**(1,065,194)**	21,265
Weighted average number of ordinary shares in issue during the year (thousand shares)	**7,225,633**	7,211,687

13. PROPERTY AND EQUIPMENT

	Right-of-use assets				Owned assets				
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Hotel properties HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2022									
At 1 January 2022:									
Cost	52,211	20,420	594	73,225	17,066	11,622	730,486	759,174	832,399
Accumulated depreciation	(4,161)	(13,898)	(297)	(18,356)	(14,386)	(9,232)	(5,807)	(29,425)	(47,781)
Net carrying amount	48,050	6,522	297	54,869	2,680	2,390	724,679	729,749	784,618
At 1 January 2022, net of accumulated depreciation	48,050	6,522	297	54,869	2,680	2,390	724,679	729,749	784,618
Additions	–	–	–	–	–	1,182	–	1,182	1,182
Additions – lease modification	–	17,134	–	17,134	–	–	–	–	17,134
Depreciation provided during the year	(1,756)	(6,435)	(297)	(8,488)	(1,147)	(435)	(33,288)	(34,870)	(43,358)
Impairment	–	–	–	–	–	–	(428,083)	(428,083)	(428,083)
Exchange realignment	(1,661)	–	–	(1,661)	(207)	(154)	(40,185)	(40,546)	(42,207)
At 31 December 2022, net of accumulated depreciation and impairment	44,633	17,221	–	61,854	1,326	2,983	223,123	227,432	289,286
At 31 December 2022:									
Cost	50,340	17,464	–	67,804	13,771	10,679	673,405	697,855	765,659
Accumulated depreciation and impairment	(5,707)	(243)	–	(5,950)	(12,445)	(7,696)	(450,282)	(470,423)	(476,373)
Net carrying amount	44,633	17,221	–	61,854	1,326	2,983	223,123	227,432	289,286

13. PROPERTY AND EQUIPMENT *(continued)*

	Right-of-use assets				Owned assets					
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Building under construction HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Hotel properties HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2021										
At 1 January 2021:										
Cost	52,211	20,420	594	73,225	299,452	16,302	9,788	–	325,542	398,767
Accumulated depreciation	(3,466)	(7,091)	(178)	(10,735)	–	(13,230)	(8,409)	–	(21,639)	(32,374)
Net carrying amount	48,745	13,329	416	62,490	299,452	3,072	1,379	–	303,903	366,393
At 1 January 2021, net of accumulated depreciation	48,745	13,329	416	62,490	299,452	3,072	1,379	–	303,903	366,393
Additions	–	–	–	–	417,575	6	1,292	–	418,873	418,873
Acquisition of subsidiaries (note 35)	–	–	–	–	–	404	314	–	718	718
Depreciation provided during the year	(1,520)	(6,807)	(119)	(8,446)	–	(875)	(661)	(5,735)	(7,271)	(15,717)
Transfers	–	–	–	–	(721,423)	–	–	721,423	–	–
Exchange realignment	825	–	–	825	4,396	73	66	8,991	13,526	14,351
At 31 December 2021, net of accumulated depreciation	48,050	6,522	297	54,869	–	2,680	2,390	724,679	729,749	784,618
At 31 December 2021:										
Cost	52,211	20,420	594	73,225	–	17,066	11,622	730,486	759,174	832,399
Accumulated depreciation	(4,161)	(13,898)	(297)	(18,356)	–	(14,386)	(9,232)	(5,807)	(29,425)	(47,781)
Net carrying amount	48,050	6,522	297	54,869	–	2,680	2,390	724,679	729,749	784,618

At 31 December 2022, the Group's property and equipment with an aggregate carrying amount of HK$268,675,000 (2021: HK$772,729,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 29(a)(i)).

13. PROPERTY AND EQUIPMENT *(continued)*

During the year, the Group's performance was affected by the slow-down in the PRC market and general economic environment, impairment related to hotel properties in property and equipment of HK$428,083,000 (2021: Nil) has been recorded in "Other expenses, net". Hotel operation is determined as a cash-generating unit ("CGU").

Recoverable amount of this CGU has been determined by fair value less costs of disposal calculation which is measured using discounted cash flow projections. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3%. The pre-tax rate used to discount the forecast cash flows is 9.0%.

14. INVESTMENT PROPERTIES

	2022 **HK$'000**	2021 HK$'000
Carrying amount at 1 January	**4,537,957**	3,774,285
Disposal	**(5,374)**	(1,214)
Transfer from completed properties held for sale	**—**	555,168
Transfer to completed properties held for sale	**(199,368)**	—
Net (loss)/gain from fair value adjustments	**(184,464)**	77,679
Exchange realignment	**(377,783)**	132,039
Carrying amount at 31 December	**3,770,968**	4,537,957

The Group's investment properties were revalued on 31 December 2022 and 2021 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

At 31 December 2022, certain of the Group's investment properties with an aggregate carrying amount of HK$2,826,346,000 (2021: HK$2,436,444,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 29(a)(ii)).

The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

At 31 December 2022 and 2021, the fair value measurement of all of the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2021: Nil).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation methodologies and results are held between management and the valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end, the finance department:

- evaluated all major inputs to the independent valuation report;
- assessed property valuation movements compared to the prior year's valuation report; and
- held discussions with the independent valuer.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

			Range or weighted average	
	Valuation technique	**Significant unobservable inputs**	**2022**	2021
Office	Term and reversionary method	Term yields	**3.5%-4.0%**	3.5%-4.0%
		Reversion yields	**4.0%-4.5%**	4.0%-4.5%
		Market rents (RMB/sq m/month)	**133-154**	130-162
Retail	Term and reversionary method	Term yields	**3.0%-3.75%**	3.0%-5.0%
		Reversion yields	**3.75%-4.25%**	3.5%-6.0%
		Market rents (RMB/sq m/month)	**37-453**	41-475
	Direct comparison method	Market price (RMB/sq m)	**37,000-94,000**	10,200-87,000
Hotel	Direct comparison method	Market price (RMB/sq m)	**8,418-32,004**	9,460-32,004

The valuations of investment properties were based on either (i) the term and reversionary approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to term yields and reversion yields; or (ii) the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate.

15. INTANGIBLE ASSETS

	Computer software HK$'000
31 December 2022	
Cost at 31 December 2021 and 1 January 2022, net of accumulated amortisation	**9,241**
Amortisation during the year	**(1,492)**
Exchange realignment	**(729)**
At 31 December 2022	**7,020**
At 31 December 2022:	
Cost	**25,115**
Accumulated amortisation	**(18,095)**
Net carrying amount	**7,020**
31 December 2021	
Cost at 31 December 2020 and 1 January 2021, net of accumulated amortisation	10,673
Amortisation during the year	(1,721)
Exchange realignment	289
At 31 December 2021	9,241
At 31 December 2021:	
Cost	26,505
Accumulated amortisation	(17,264)
Net carrying amount	9,241

16. LEASES

The Group as a lessee

The Group has lease contracts for land, office properties and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and motor vehicles generally have lease terms of 3 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are disclosed in note 13 to the financial statements.

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Lease liabilities	
	2022 **HK$'000**	2021 HK$'000
Carrying amount at 1 January	**6,850**	13,850
Lease modification	**17,134**	—
Accretion of interest recognised during the year	**311**	972
Payments	**(7,395)**	(7,972)
Carrying amount at 31 December	**16,900**	6,850
Analysed into:		
Current portion	**5,224**	6,850
Non-current portion	**11,676**	—

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**311**	972
Depreciation charge of right-of-use assets	**8,488**	8,446
Expense relating to short-term lease	**14,466**	2,856
Total amount recognised in profit or loss	**23,265**	12,274

(d) The total cash outflow for leases is disclosed in note 37(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$172,450,000 (2021: HK$196,446,000).

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**157,688**	209,047
After one year but within two years	**116,034**	152,754
After two years but within three years	**54,385**	72,654
After three years but within four years	**43,369**	71,832
After four years but within five years	**39,095**	44,743
After five years	**196,683**	255,740
	607,254	806,770

17. GOODWILL

	HK$'000
At 1 January 2021	87,081
Acquisition of a subsidiary (note 35)	39,175
Impairment during the year	(128,292)
Exchange realignment	2,036
At 31 December 2021, 1 January 2022 and 31 December 2022	—
Cost	—
Accumulated impairment	—
Net carrying amount	—

Impairment testing of goodwill

The Group's goodwill acquired through a business combination was allocated to cash-generating units for the property development segment, which were principally engaged in the property development in the PRC, for impairment testing. The recoverable amounts of the cash-generating units of the property development segment were determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management and no perpetual growth rate was applied in the calculation of value in use. The pre-tax discount rates applied to the cash flow projections ranged from 14.0% to 15.0% for the year ended 31 December 2021. During the year ended 31 December 2021, impairment of HK$89,117,000 was recognised due to a drop in the recoverable amounts on the cash-generating unit. This was primarily caused by the disposal of certain properties within the property development segment at a lower than budgeted margins in a less than favourable PRC property market condition. In addition, a full impairment of HK$39,175,000 was made for the goodwill arisen during the year ended 31 December 2021 as a result of the deterioration of the economic environment in the PRC market subsequent to the acquisition, and the loss-making result from that acquired subsidiary.

Assumptions were used in the value-in-use calculation of the above-mentioned property development segment's cash-generating units for the year ended 31 December 2021. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for the expected deteriorating market condition.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. INVESTMENTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Share of net assets	**11,098**	12,108

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of the Group's investments in the joint ventures	**11,098**	12,108

19. INVESTMENT IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Share of net assets, listed in Hong Kong	**1,401,140**	1,733,475
Provision for impairment	**(539,757)**	(539,757)
	861,383	1,193,718

Particulars of the Group's associate are as follows:

Company name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
Silver Grant International Holdings Group Limited ("Silver Grant")*	Ordinary shares	Hong Kong	29.56%	Investment holding and property leasing

The Group's shareholding in the associate comprises equity shares held by a wholly-owned subsidiary of the Company.

At 31 December 2022, the Group's investment in an associate with an aggregate carrying amount of HK$861,383,000 (2021: HK$1,193,718,000) was pledged to secure certain of the bank and other borrowings granted to the Group (note 29(a)(vi)).

* The shares of Silver Grant are listed on the Main Board of The Hong Kong Stock Exchange Limited.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Impairment testing of investment in an associate

As at 31 December 2022, the market value of the shares of Silver Grant held by the Group was HK$221,403,000 (2021: HK$340,620,000), whereas its carrying amount was HK$861,383,000 (2021: HK$1,193,718,000). The Group carried out an impairment assessment to determine whether the Group's interest in the associate was impaired.

The recoverable amount of the investment has been determined based on the value in use. The recoverable amount was determined based on financial budgets covering a five-year period approved by senior management, under which a terminal growth rate of 2% (2021: 2%) beyond the fifth year was adopted. The pre-tax discount rate applied to the cash flow projections is 15.5% (2021: 15.3%).

Key assumptions on which management has based its cash flow projections to undertake impairment testing include: (i) sales growth rates and budgeted gross margins on the petrochemical business which are based on expected market development and management experience in the industry; and (ii) pre-tax discount rate which reflects specific risks relating to the underlying business.

Based on the impairment assessment, no additional impairment was needed for the years ended 31 December 2022 and 2021.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Financial information of Silver Grant

Silver Grant is considered as a material associate of the Group and is accounted for using the equity method. The following table illustrates the summarised financial information in respect of the Silver Grant adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Current assets	**5,170,860**	4,135,421
Non-current assets, excluding goodwill	**4,659,990**	7,083,466
Goodwill on acquisition of an associate	**267,672**	267,672
Current liabilities	**(2,744,512)**	(2,359,152)
Non-current liabilities	**(2,779,757)**	(3,499,970)
Net assets	**4,574,253**	5,627,437
Non-controlling interests	**(472,116)**	(401,027)
Total equity	**4,102,137**	5,226,410
Total equity, excluding goodwill	**3,834,465**	4,958,738
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**29.56%**	29.56%
Group's share of net assets of the associate, excluding goodwill	**1,133,468**	1,465,803
Goodwill on acquisition	**267,672**	267,672
Impairment	**(539,757)**	(539,757)
Carrying amount of the investment	**861,383**	1,193,718
Revenue	**96,884**	87,376
Loss for the year	**(742,658)**	(1,812,494)
Loss attributable to owners of the investee	**(734,563)**	(1,452,609)
Other comprehensive (loss)/income for the year	**(481,062)**	146,734
Other comprehensive (loss)/income attributable to owners of the investee	**(474,384)**	124,199
Total comprehensive loss for the year	**(1,223,720)**	(1,665,760)
Total comprehensive loss attributed to owners of the investee	**(1,208,947)**	(1,328,410)
Market value of the Group's investment as at 31 December	**221,403**	340,620

20. PROPERTIES UNDER DEVELOPMENT

	2022 HK$'000	2021 HK$'000
Properties under development expected to be completed within normal operating cycle and classified as current assets are expected to be recoverable:		
Within one year	**5,201,745**	6,243,097
After one year	**3,194,358**	5,274,342
	8,396,103	11,517,439

At 31 December 2022, certain of the Group's properties under development with an aggregate carrying amount of HK$3,898,663,000 (2021: HK$11,502,841,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 29(a)(iii)).

21. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2022, certain of the Group's completed properties held for sale with an aggregate carrying amount of HK$2,775,993,000 (2021: HK$1,563,684,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 29(a)(iv)).

22. TRADE RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Receivables from sales of properties	(a)	**1,648**	3,009
Receivables from property investment and hotel operation		**214,994**	127,479
Less: Impairment allowance	(c)	**(3,336)**	—
Net receivables from property investment and hotel operation	(a)	**211,658**	127,479
Receivables for urban redevelopment projects			
Related parties	41(d)	**14,463,943**	15,874,404
Third parties		**482,026**	343,952
	(b)	**14,945,969**	16,218,356
Less: Impairment allowance	(c)	**(541,488)**	(702,952)
Net receivables for urban redevelopment projects		**14,404,481**	15,515,404
Total		**14,617,787**	15,645,892
Portion classified as non-current assets		**(4,188,597)**	(2,037,831)
Current portion		**10,429,190**	13,608,061

Notes:

(a) An ageing analysis of the receivables from sales of properties and property investment and hotel operation as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2022 HK$'000	2021 HK$'000
Current to 180 days	**160,413**	92,280
181 to 365 days	**47,613**	20,229
Over 365 days	**5,280**	17,979
	213,306	130,488

22. TRADE RECEIVABLES *(continued)*

Notes: *(continued)*

(b) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group has the contractual right and responsibility (including the funding responsibility) to provide project management services in relation to the urban redevelopment projects. In return, the Group is entitled to a finance component of income arising from a fixed rate of return at an agreed percentage of funds incurred and contributed by the Group under its contractual funding responsibility and a management service income from the performance of the underlying urban redevelopment projects. For the years ended at 31 December 2022 and 2021, no management service income arising from the performance of the underlying urban redevelopment projects was recognised as the amount of consideration was subject to constraint.

An ageing analysis of the receivables for urban redevelopment as at the end of the reporting period, based on the incurred date, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**1,799,535**	2,408,741
1 to 2 years	**1,866,911**	6,875,564
2 to 3 years	**5,599,480**	2,604,311
Over 3 years	**5,680,043**	4,329,740
	14,945,969	16,218,356

(c) The movements in the loss allowance for impairment of receivables are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**702,952**	520,840
Impairment losses (note 7)		
New receivables	**11,940**	9,181
Changes in risk parameters	**(38,975)**	196,642
Write-back on settlement	**(76,931)**	(44,524)
	(103,966)	161,299
Exchange realignment	**(54,162)**	20,813
At end of year	**544,824**	702,952

Impairment analysis is performed on the Group's receivables for urban redevelopment projects and property investment and hotel operation at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2022, the probability of default applied was ranged from 3.4% to 7.3% (2021: from 3.4% to 13.7%) and the loss given default was estimated from 61.7% to 63.0% (2021: from 61.7% to 63.0%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The adjusted loss rate as at 31 December 2022 ranged from 3.2% to 6.7% (2021: from 2.5% to 9.8%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

As at 31 December 2022, the loss allowance of the receivables from sales of properties was assessed to be minimal since there was no recent history of default and past due amounts (2021: the loss allowance of the receivables from sales of properties and property investment and hotel operation was assessed to be minimal since there were no recent history of default and past due amounts).

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 HK$'000	2021 HK$'000
Prepaid construction costs and others		**1,029,655**	932,305
Prepaid business taxes and other levies		**133,128**	174,016
Project deposits to a contractor	(a)	**179,358**	199,563
Consideration receivable	(b)	**809,117**	812,132
Cost of obtaining contracts		**20,987**	24,745
		2,172,245	2,142,761
Other receivables			
Related parties	(c), 41(d)	**1,235,744**	38,662
Third parties		**249,197**	299,899
		1,484,941	338,561
		3,657,186	2,481,322
Impairment allowance	(d)	**(141,944)**	(11,237)
		3,515,242	2,470,085

Notes:

(a) Project deposits to a contractor of the Group were unsecured, interest-bearing at 12% per annum and repayable on demand.

(b) The receivable relates to certain properties to be developed with a saleable area of approximately 38,179 sq.m. that will be transferred to the Group upon completion of the urban redevelopment project and formed part of the total consideration on the disposal of 100% equity interest in Guangzhou Yuhong Investment Company Limited (a company engaged in the property redevelopment project in the PRC). Details of the disposal are set out in the Company's announcement and circular dated 22 April 2020 and 24 June 2020, respectively.

Pursuant to a supplemental agreement entered into by the Group in October 2022, the receivable will be settled by a cash settlement of RMB722,761,000. A gain on a settlement arrangement relating to consideration receivable amounting to HK$68,234,000 was recognised during the year ended 31 December 2022. The balance is unsecured, interest-free and repayable on 30 September 2023.

(c) As at 31 December 2022, other receivables amounting to HK$1,198,836,000 represented outstanding funds provided to certain related parties for property development projects in the PRC of which the project management service agreements were terminated during the year ended 31 December 2022 and were reclassified from financial assets at fair value through profit and loss to other receivables stated at amortised cost. The balances are unsecured, interest-free and repayable within 2023.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Notes: *(continued)*

(d) The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**11,237**	86,834
Impairment losses (note 7)		
New receivables	**139,264**	2,777
Write-back on settlement	**(2,708)**	(84,566)
Changes in risk parameters	**2,938**	834
	139,494	(80,955)
Exchange realignment	**(8,787)**	5,358
At end of year	**141,944**	11,237

Impairment analysis is performed on the Group's prepayments, other receivables and other assets at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2022, the probability of default applied ranged from 4.3% to 7.3% (2021: from 0.1% to 7.3%) and the loss given default was estimated at 61.7% (2021: from 57.7% to 64.9%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The adjusted loss rate as at 31 December 2022 ranged from 3.9% to 6.7% (2021: ranged from 0.1% to 5.2%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2022 HK$'000**	2021 HK$'000
Other receivables, at fair value	(a)	**–**	1,879,776
Other unlisted investments, at fair value	(b)	**26,722**	74,450
		26,722	1,954,226
Portion classified as current assets		**(13,434)**	(1,910,354)
Non-current portion		**13,288**	43,872

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Notes:

(a) As at 31 December 2021, other receivables of HK$1,879,776,000 at fair value represented funds deployed in property development projects in the PRC with certain related parties which were classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, in the ordinary course of business of the Group, the Group agreed to provide funds and management services to certain property development projects. In return, the Group was entitled to a fixed income being a certain percentage of the total funds provided and a variable return which is determined with reference to the financial performance of the projects. The fair value of the other receivables was determined based on the discounted cash flow projections based on the expected future cash flows from the property development projects estimated by management. The discount rate applied to the cash flow projections ranged from 20.6% to 24.6%.

During the year ended 31 December 2022, the project management service agreements were terminated and other receivables at fair value of HK$1,198,836,000 were reclassified to other receivables stated at amortised cost (note 23(c)).

(b) At 31 December 2022, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK$26,722,000 (2021: HK$74,450,000). The investment funds are managed with expected return equal to one-year prevailing savings interest rate quoted by the People's Bank of China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND BANK BALANCES

	Notes	2022 HK$'000	2021 HK$'000
Restricted cash			
Guarantee deposits for construction projects	(a)	**158,468**	122,322
Term deposits pledged for bank borrowings granted to the Group	29(a)(v)	**443,754**	965,284
Deposits held at banks due to litigation		**26,091**	—
		628,313	1,087,606
Term deposits with initial terms of over three months	(b)	**–**	892,746
Cash and cash equivalents		**131,259**	83,624
		759,572	2,063,976

25. CASH AND BANK BALANCES *(continued)*

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of pre-sale proceeds of properties with designated bank accounts as guaranteed deposits for the construction of the related properties. The deposits can only be used for the purchase of construction materials and payments of construction fees for the relevant property projects. The deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2021 was 1.70% per annum.

(c) The Group's cash and bank balances are denominated in the following currencies:

	2022	2021
	HK$'000	HK$'000
RMB	**753,780**	2,054,658
HK$	**5,357**	4,371
US$	**435**	4,947
	759,572	2,063,976

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. CONTRACT LIABILITIES

Contract liabilities represent sales proceeds received from buyers in connection with the Group's pre-sales of properties.

The increase in the balance of contract liabilities was mainly due to the additional pre-sales made during the year.

As at 1 January 2021, contract liabilities amounted to HK$1,482,331,000.

27. TRADE AND OTHER PAYABLES

	Notes	2022 HK$'000	2021 HK$'000
Trade and bills payables	(a)	**3,249,613**	3,394,395
Amounts due to related parties	41(d)	**424,617**	235,482
Amount due to a joint venture	41(d)	**5,597**	6,115
Amount due to the ultimate holding company	41(d)	**387,709**	470,397
Other payables and accruals	(b)	**1,243,856**	1,122,603
Other tax payables		**838,158**	759,338
		6,149,550	5,988,330
Portion classified as current liabilities		**(5,742,819)**	(5,517,933)
Non-current portion		**406,731**	470,397

Notes:

(a) An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the due date, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**3,035,600**	3,334,468
Over 1 year	**214,013**	59,927
	3,249,613	3,394,395

The trade payables are non-interest-bearing and unsecured.

Included in trade and bills payables of the Group as at 31 December 2022 were an aggregate amount of HK$47,381,000 (2021: HK$17,644,000) due to Guangzhou Zhuguang Property Management Company Limited, a related company of the Group, for the provision of property management services, which would be settled in payment terms similar to other trade payables (note 41(d)).

Included in trade and bills payables of the Group as at 31 December 2022 were an aggregate amount of HK$6,649,000 (2021: Nil) due to Guangdong Zhuguang Group Company Limited, a related company of the Group. These balances are unsecured, interest-free and repayable on demand (note 41(d)).

(b) As at 31 December 2022, other payables amounting to HK$51,645,000 (2021: HK$56,425,000) were amounts due to the non-controlling shareholders of the Group, which are unsecured, interest-free and repayable on demand (note 41(d)).

28. DERIVATIVE FINANCIAL INSTRUMENTS

The 2019 Warrants (as defined in note 29) were measured at their fair values on 31 December 2021. The fair values (categorised as Level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022		2021	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Current				
Lease liabilities (note 16(b))		**5,224**		6,850
Bank borrowings — secured	**3.61%-9.81%**	**2,005,093**	0.95%-14.64%	1,913,396
Other borrowings — secured	**5.80%-16.52%**	**2,752,378**	9.78%-15.06%	3,821,333
Other borrowings — unsecured	**12.00%**	**30,000**	12.00%	40,000
2022 Senior Notes (2021: 2019 Senior Notes)	**13.23%-15.34%**	**1,588,570**	12.44%-17.16%	1,841,783
		6,381,265		7,623,362
Non-current				
Lease liabilities (note 16(b))		**11,676**		—
Bank borrowings — secured	**4.98%-7.28%**	**5,313,130**	3.61%-10.08%	7,373,659
Other borrowings — secured	**5.80%-15.34%**	**3,613,238**	8.00%-10.26%	4,198,975
		8,938,044		11,572,634
		15,319,309		19,195,996

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**2,005,093**	1,913,396
In the second year	**2,740,507**	2,325,535
In the third to fifth years, inclusive	**729,982**	2,773,810
Over five years	**1,842,641**	2,274,314
	7,318,223	9,287,055
Other borrowings repayable:		
Within one year or on demand	**2,782,378**	3,861,333
In the second year	**2,906,568**	2,821,063
In the third to fifth years, inclusive	**706,670**	1,377,912
	6,395,616	8,060,308
Senior Notes repayable:		
Within one year or on demand	**1,588,570**	1,841,783
	1,588,570	1,841,783
Lease liabilities repayable:		
Within one year or on demand	**5,224**	6,850
In the second year	**5,800**	—
In the third to fifth years, inclusive	**5,876**	—
	16,900	6,850
	15,319,309	19,195,996

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Certain of the Group's bank and other borrowings are secured or guaranteed by:

(i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK$268,675,000 (2021: HK$772,729,000) (note 13);

(ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK$2,826,346,000 (2021: HK$2,436,444,000) (note 14);

(iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK$3,898,663,000 (2021: HK$11,502,841,000) (note 20);

(iv) pledges over the Group's completed properties held for sale with an aggregate carrying amount at the end of the reporting period of approximately HK$2,775,993,000 (2021: HK$1,563,684,000) (note 21);

(v) pledges over the Group's term deposits with initial terms of over three months with an aggregate carrying amount at the end of the reporting period of approximately HK$443,754,000 (2021: HK$965,284,000) (note 25);

(vi) pledges over the Group's investment in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK$861,383,000 (2021: HK$1,193,718,000) (note 19);

(vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK$236,930,000 (2021: HK$291,670,000) as at the end of the reporting period;

(viii) pledges over the equity interests of certain subsidiaries of the Company for borrowings of the Group amounting to HK$8,076,296,000 (2021: HK$5,563,725,000) as at the end of the reporting period;

(ix) corporate guarantees executed and security provided by the Company's ultimate holding company for the senior notes of the Group amounting to HK$1,588,570,000 (2021: HK$1,841,783,000) as at the end of the reporting period;

(x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK$9,058,848,000 (2021: HK$7,868,993,000) as at the end of the reporting period;

(xi) personal guarantee executed by certain Directors for borrowings of the Group amounting to HK$11,067,225,000 (2021: HK$7,786,666,000) as at the end of the reporting period; and

(xii) pledges and guarantees provided by GD Zhuguang Group (as defined in note 41) for borrowings of the Group amounting to HK$11,656,490,000 (2021: HK$14,299,719,000) as at the end of the reporting period.

(b) On 22 September 2019, the Company issued 3-year secured and guaranteed senior notes (the "2019 Senior Notes") with an aggregate principal amount of US$410,000,000 for settlement of the senior notes issued by the Company in 2016. The Company, at its option, could redeem all or a portion of the 2019 Senior Notes at any time after 12 months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company should, on the date falling 12 months after the issue date, redeem 10% of the then outstanding principal amount, and should, on the date falling 24 months after the issue date, redeem 10% of the then outstanding principal amount. The remaining outstanding principal amount of the 2019 Senior Notes was due on 21 September 2022. The 2019 Senior Notes are denominated in US$ with an interest rate at 11% per annum. During the year ended 31 December 2021, 21% of the aggregate principal amount amounting to US$85,150,000 was redeemed, in which US$3,150,000 was settled by way of set-off against the issuance of shares pursuant to the exercise of the 2019 Warrants (as defined below) (note 32).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(continued)*

(b) *(continued)*

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the "2019 Warrants") representing a total amount of exercise moneys of US$61,500,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to these investors to subscribe for 297,064,651 ordinary shares of the Company at an initial exercise price of HK$1.6148 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. During the year ended 31 December 2021, the Company received notices of exercise from the holders of the 2019 Warrants in respect of the exercise of the subscription rights attached to the 2019 Warrants to the extent of an aggregate of 31,215,506 ordinary shares of the Company being allotted and issued by the Company to the holders of the 2019 Warrants. In August 2021, the exercise price of the 2019 Warrants was adjusted to HK$1.54 per ordinary share. As at 31 December 2021, 2019 Warrants with aggregate exercise moneys of US$55,037,589, representing 278,761,814 ordinary shares of the Company, remained outstanding. The 2019 Warrants were exercisable at any time up to 36 months from the issue date of such warrants, and expired on 27 November 2022.

Rong De had provided pledges and guarantees for the 2019 Senior Notes of HK$1,841,783,000 at 31 December 2021.

(c) On 22 September 2022, the Company issued 3-year secured guaranteed senior notes (the "2022 Senior Notes") with an aggregate principal amount of US$210,000,000, the net proceeds of which were used to repay the 2019 Senior Notes. In accordance with the 2022 Senior Notes' purchase agreement dated 22 September 2022, the Company, at its option, can redeem all or a portion of the 2022 Senior Notes at any time after 12 months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company shall, on the date falling 12 months after the issue date, redeem 10% of the aggregate principal amount, and shall, on the date falling 24 months after the issue date, redeem 20% of the aggregate principal amount. The remaining outstanding principal amount of the 2022 Senior Notes shall originally be due on 21 September 2025. The 2022 Senior Notes are denominated in US$ with an interest rate at 12% per annum.

Rong De has provided pledges and guarantees for the 2022 Senior Notes of HK$1,588,570,000 at 31 December 2022.

(d) As detailed in note 2.1 to the financial statements, during the year ended 31 December 2022, secured borrowings of HK$617 million have not been repaid according to the scheduled repayment dates and remained outstanding as at 31 December 2022. As a result, other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date have been reclassified as current liabilities at the reporting date. Up to the date of approval of these financial statements, the Group has not received any demand for immediate repayment for any of the above borrowings.

(e) The Group's bank and other borrowings with carrying amounts of HK$283,830,000 (2021: HK$745,260,000), HK$13,006,296,000 (2021: HK$16,113,464,000) and HK$2,029,183,000 (2021: HK$2,337,272,000) are denominated in HK$, RMB and US$, respectively.

(f) The Group's bank and other borrowings with carrying amounts of HK$6,494,838,000 (2021: HK$7,483,041,000) and HK$8,824,471,000 (2021: HK$11,712,955,000) are carried at floating interest rates and fixed interest rates, respectively.

30. INCOME TAX PAYABLES

	2022 HK$'000	2021 HK$'000
PRC CIT payable	**2,232,447**	2,245,747
PRC LAT payable	**1,234,681**	1,422,313
	3,467,128	3,668,060

31. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2022 HK$'000	2021 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**22,241**	5,168
Deferred tax liabilities recognised in the consolidated statement of financial position	**(2,196,137)**	(2,460,385)
	(2,173,896)	(2,455,217)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of receivables and deposits HK$'000
At 1 January 2021	18,177
Charged to profit or loss during the year (note 10)	(13,892)
Exchange realignment	883
At 31 December 2021 and 1 January 2022	**5,168**
Credited to profit or loss during the year (note 10)	**17,907**
Exchange realignment	**(834)**
At 31 December 2022	**22,241**

31. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss HK$'000	Temporary difference on revaluation gains of investment properties HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Temporary difference on LAT HK$'000	Total HK$'000
At 1 January 2021	370,740	723,356	143,845	63,307	837	1,302,085
Charged/(credited) to profit or loss during the year (note 10)	41,455	(55,922)	(59,434)	18,245	–	(55,656)
Acquisition of subsidiaries (note 35)	–	–	1,244,204	–	–	1,244,204
Disposal of subsidiaries (note 36)	(115,310)	–	–	–	–	(115,310)
Exchange realignment	11,326	20,343	53,247	120	26	85,062
At 31 December 2021 and 1 January 2022	**308,211**	**687,777**	**1,381,862**	**81,672**	**863**	**2,460,385**
Credited to profit or loss during the year (note 10)	**(8,525)**	**(134,311)**	**(14,860)**	**–**	**–**	**(157,696)**
Exchange realignment	**(22,687)**	**(53,026)**	**(28,892)**	**(1,874)**	**(73)**	**(106,552)**
At 31 December 2022	**276,999**	**500,440**	**1,338,110**	**79,798**	**790**	**2,196,137**

The Group had unutilised tax losses of approximately HK$4,405,746,000 as at 31 December 2022 (2021: HK$2,750,027,000) for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets have not been recognised for these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, deferred tax liability amounted to HK$79,798,000 (2021: HK$81,672,000) has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, other than the above-mentioned, it is not probable that other subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled HK$70,954,000 at 31 December 2022 (2021: HK$82,020,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
7,225,632,753 ordinary shares of HK$0.1 each	**722,564**	722,564

A summary of movements in the Company's issued share capital is as follow:

	Number of Share in issue	Share capital HK$'000	Share premium HK$'000
At 1 January 2021	7,194,417,247	719,442	5,564,286
Issue of shares (Note)	31,215,506	3,122	61,874
At 31 December 2021, 1 January 2022 and 31 December 2022	**7,225,632,753**	**722,564**	**5,626,160**

Note:

For the year ended 31 December 2021, 31,215,506 ordinary shares were issued at an exercise price of HK$1.6148 per share pursuant to the exercise of the 2019 Warrants in aggregate for a total consideration, before expenses, of HK$50,407,000, in which HK$25,837,000 was paid in cash, the remaining amount of HK$24,570,000 was settled by way of set-off against the outstanding principal amount of the 2019 Senior Notes. An amount of HK$14,589,000 was transferred from derivative financial instruments to share premium upon the exercise of the 2019 Warrants.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Merger reserve

The merger reserve was set up upon the share swap for the Company to acquire its subsidiaries.

33. RESERVES *(continued)*

(iii) Contributed surplus

The contributed surplus was credited from the share premium cancellation in prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

(iv) Statutory reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(v) Capital reserve

Gain or loss arising from the acquisition of non-controlling interests and from disposal of partial interests of the Group's subsidiaries without loss of control was recognised as capital reserve.

34. PERPETUAL CAPITAL SECURITIES

(i) On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK$800,000,000 to Rong De, the ultimate holding company of the Company.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 6% per annum from and including 29 October 2018, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole or in part.

(ii) On 30 November 2021, the Company issued perpetual capital securities with a principal amount of HK$250,000,000 to Rong De, the ultimate holding company of the Company.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 8% per annum from and including 30 November 2021, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole or in part.

In the opinion of the Directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.

35. ACQUISITION OF SUBSIDIARIES

In December 2020, the Group entered into an equity transfer agreement with GD Zhuguang Group, a related party of the Group, for the acquisition of 49% equity interest in AEC, a then 51%-owned joint venture of the Group, at a cash consideration of RMB900,000,000 (equivalent to HK$1,071,909,000). The acquisition was made as part of the Group's strategy to expand its market share of the property development market in the PRC. The acquisition was completed on 24 March 2021 and AEC has become a wholly-owned subsidiary of the Company since then.

In December 2021, the Group entered into equity transfer agreements separately with an independent third party and a subsidiary of GD Zhuguang Group, for the acquisition of 40% and 60% of the equity interests in 廣東鹿湖溫泉假日酒店有限公司 (Guangdong Luhu Hot Spring Holiday Hotel Co., Ltd.*) ("Luhu Hotel") at a total cash consideration of RMB2,000,000 (equivalent to HK$2,445,000). The acquisition was made as part of the Group's strategy to expand its market share of the hotel operation market in the PRC. The acquisition was completed on 13 December 2021 and Luhu Hotel has become a wholly-owned subsidiary of the Company since then.

The fair values of the identifiable assets and liabilities of AEC and Luhu Hotel as at their respective dates of acquisitions were as follows:

	Fair value recognised on acquisition date		
			2021
	AEC	Luhu Hotel	Total
	HK$'000	HK$'000	HK$'000
Property and equipment (note 13)	399	319	718
Properties under development	8,992,168	—	8,992,168
Prepayments, other receivables and other assets	636,392	8,500	644,892
Prepaid income tax	7,763	—	7,763
Restricted cash	48,076	—	48,076
Cash and cash equivalents	5,590	1,610	7,200
Contract liabilities	(114,489)	—	(114,489)
Trade and other payables	(1,963,888)	(47,159)	(2,011,047)
Interest-bearing bank and other borrowings	(3,654,717)	—	(3,654,717)
Deferred tax liabilities	(1,244,204)	—	(1,244,204)
Total identifiable net assets/(liabilities) at fair value	2,713,090	(36,730)	2,676,360
Goodwill on acquisition (note 17)	—	39,175	39,175
Gain on bargain purchase	(257,505)	—	(257,505)
	2,455,585	2,445	2,458,030

* The English name of the company represents the best effort made by the management of the Company to directly translate the Chinese name as it did not register any official English name.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

	AEC HK$'000	Luhu Hotel HK$'000	2021 Total HK$'000
Satisfied by:			
Cash	655,055	2,445	657,500
Other payables	416,854	—	416,854
Fair value of pre-existing interest in AEC at the date of acquisition	1,383,676	—	1,383,676
	2,455,585	2,445	2,458,030

An analysis of the cash flows in respect of the acquisitions of AEC and Luhu Hotel is as follows:

	AEC HK$'000	Luhu Hotel HK$'000	2021 Total HK$'000
Cash consideration	(655,055)	(2,445)	(657,500)
Cash and cash equivalents acquired	5,590	1,610	7,200
Net outflow of cash and cash equivalents included in cash flows from investing activities	(649,465)	(835)	(650,300)

As at the dates of completion of the respective acquisitions, the fair value of other receivables acquired approximated its carrying amount.

Since the completion of the acquisition of AEC in March 2021, AEC has contributed a loss of HK$84,162,000 to the consolidated profit of the Group for the year ended 31 December 2021. Had the combination taken place at the beginning of the year, the profit of the Group for the year ended 31 December 2021 would have been HK$97,836,000.

Since the completion of the acquisition of Luhu Hotel in December 2021, Luhu Hotel has contributed a loss of HK$1,214,000 to the consolidated profit of the Group for the year ended 31 December 2021. Had the combination taken place at the beginning of the year, the profit of the Group for the year ended 31 December 2021 would have been HK$100,606,000.

36. DISPOSAL OF SUBSIDIARIES

	2021 HK$'000
Net assets disposed of:	
Properties under development	43,042
Completed properties held for sale	26,188
Prepayments, other receivables and other assets	515,835
Cash and cash equivalents	690
Other payables	(192,792)
Income tax payables	(253,251)
Deferred tax liabilities	(115,310)
Exchange fluctuation reserve	(32,963)
	(8,561)
Gain on disposal of subsidiaries	33,183
	24,622
Satisfied by:	
Cash	24,622

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 HK$'000
Cash and cash equivalents disposed of	(690)
Cash consideration received	24,622
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	23,932

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$17,134,000 (2021: Nil) and HK$17,134,000 (2021: Nil), respectively, in respect of lease modification for property and equipment (notes 13 and 16).

During the year ended 31 December 2021, the Group issued 31,215,506 ordinary shares for a total consideration of HK$50,407,000 pursuant to the exercise of the 2019 Warrants, in which approximately HK$24,570,000 was settled by way of set-off against the outstanding principal amount of the 2019 Senior Notes (note 32).

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings HK$'000	Derivative financial instruments HK$'000	Amount due to a joint venture included in trade and other payables HK$'000	Amount due to the ultimate holding company included in trade and other payables HK$'000	Amounts due to related parties included in trade and other payables HK$'000
At 1 January 2021	17,041,019	19,645	158,452	344,432	218,724
Changes from financing cash flows	(2,064,262)	—	(154,789)	125,965	10,185
Exercise of warrants	—	(14,589)	—	—	—
Acquisition of a subsidiary	3,654,717	—	—	—	—
Foreign exchange movement	564,522	578	2,452	—	6,573
Net change in fair value	—	116,147	—	—	—
At 31 December 2021 and 1 January 2022	**19,195,996**	**121,781**	**6,115**	**470,397**	**235,482**
Changes from financing cash flows	**(2,712,348)**	**—**	**—**	**(82,688)**	**216,877**
Foreign exchange movement	**(1,164,339)**	**751**	**(518)**	**—**	**(27,742)**
Net change in fair value	**—**	**(122,532)**	**—**	**—**	**—**
At 31 December 2022	**15,319,309**	**—**	**5,597**	**387,709**	**424,617**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 HK$'000	2021 HK$'000
Within operating activities	**14,466**	2,856
Within financing activities	**7,395**	3,570
	21,861	6,426

38. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	**2,706,018**	4,886,244

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principal together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the expected credit loss allowance are not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 29 to the financial statements.

40. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Properties under development	**620,805**	1,603,026

41. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Names	Relationships
Rong De	Ultimate holding company of the Company
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the chairman of the Company's board of directors (the "Board"), the Company's executive director, and a member of key management personnel of the Company
Mr. Liao Tengjia	Major shareholder of Rong De, deputy chairman of the Board, the Company's executive director and a member of key management personnel of the Company
Mr. Huang Jiajue	Deputy chairman of the Board, the Company's executive director, and a member of key management personnel of the Company
Beijing Zhuguang Property Development Company Limited ("BJ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Quan Ying Property Development Company Limited ("BJ Quan Ying")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangdong Fengshun Luhu Hot Spring Resort Co., Ltd. ("GD Fengshun Luhu")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Dongzhi Real Estate Development Co., Ltd. ("GZ Dongzhi")	Non-controlling shareholder in Guangzhou Hongyue Investment Co., Ltd, a subsidiary of the Company
Guangzhou Gaopai Real Estate Investment Co., Ltd ("Gaopai Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Shiqi Property Development., Ltd ("Shi Qi")	Joint venture of the Group
Guangzhou Yifa Industrial Development Co., Ltd ("Yifa Industrial")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yingfu Investment Co., Ltd. ("GZ Ying Fu Investment")	Non-controlling shareholder in Zhongshan Zhuguang Property Company Limited
Guangzhou Yueju Real Estate Co., Ltd. ("Yue Ju")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Management Company Limited ("GZ Zhuguang Property Management")	Controlled by a close family member of Mr. Chu Hing Tsung
Sanya Lantian Investment Co., Ltd ("Sanya Lantian Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Xianghe Zhuguang Real Estate Company Limited ("XH Zhuguang Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

Apart from disclosure elsewhere, the Group had the following transactions with related parties during the year:

	Notes	**2022 HK$'000**	2021 HK$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	**1,705,171**	1,893,417
Interest income from GD Zhuguang Group	(ii)	**–**	43,783
Service income received from GD Zhuguang Group and its subsidiaries	(iii)	**40,535**	55,348
Service income received from AEC	(iii), (iv)	**–**	8,255
Property management service fees to GZ Zhuguang Property Management	(iii), (v)	**19,915**	16,002
Consideration paid for the acquisition of 60% equity interest of Luhu Hotel from GD Fengshun Luhu	35	**–**	1,223
Consideration paid and payable for the acquisition of AEC from GD Zhuguang Group	35	**–**	1,071,909
Rental expenses paid to GZ Zhuguang Investment	(iii)	**8,033**	–

Notes:

(i) The finance component of income was derived from the receivables related to urban redevelopment projects in accordance with the terms of the underlying agreements.

(ii) The interest income was derived from the deposit for acquisition of equity interests in a property development project at a mutually agreed rate.

(iii) The above transactions were conducted in accordance with the terms of the underlying agreements.

(iv) The amounts represent the service income received up to the acquisition completion date of AEC in March 2021 for the year ended 31 December 2021.

(v) The relevant related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(vi) GD Zhuguang Group has provided pledges and guarantees for the Group's bank and other borrowings of HK$11,656,490,000 at 31 December 2022 (2021: HK$14,299,719,000) (note 29(a)(xii)).

(vii) Rong De has provided pledges and guarantees for the Group's senior notes of HK$1,588,570,000 (2021: HK$1,841,783,000) at 31 December 2022 and warrants of HK$121,781,000 at 31 December 2021 (note 29(a)(ix)).

(viii) During the years ended 31 December 2022 and 2021, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.

41. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group

In the opinion of the Directors, the Directors and the chief executive officer of the Company represent the key management personnel of the Group and details of the compensation of the key management personnel are set out in note 8 to the financial statements.

(d) Outstanding balances with related parties

As at 31 December 2022 and 2021, the Group had the following material balances with related parties:

	Notes	**2022 HK$'000**	2021 HK$'000
Amounts due from related parties relating to receivables for urban redevelopment projects included in trade receivables			
— GD Zhuguang Group		**3,088,970**	4,091,788
— GZ Zhuguang Property		**7,120,056**	6,856,574
— GZ Conghua Zhuguang Investment		**1,450,463**	1,615,252
— SZ Zhuguang Property		**—**	619,756
— GZ Zhuguang Investment		**2,804,454**	2,691,034
	22	**14,463,943**	15,874,404
Amounts due from related parties included in prepayments, other receivables and other assets			
— BJ Quan Ying		**3,358**	4,073
— GZ Zhuguang Property		**—**	12,231
— GZ Zhuguang Property Management		**1,069**	465
— Yue Ju		**—**	9,173
— XH Zhuguang Real Estate		**2,373**	2,446
— Sanya Lantian Investment		**—**	10,274
— Gaopai Real Estate		**6,717**	—
— BJ Zhuguang Property		**1,198,836**	—
— Yifa Industrial		**18,517**	—
— GD Zhuguang Group		**4,874**	—
	23, (i)	**1,235,744**	38,662
Amounts due from related parties included in financial assets at fair value through profit or loss			
— BJ Zhuguang Property	24(a)	**—**	1,879,776
Amounts due to related parties included in trade and bills payables			
— GD Zhuguang Group	27(a)	**6,649**	—
— GZ Zhuguang Property Management	27(a)	**47,381**	17,644
		54,030	17,644
Amount due to a joint venture included in trade and other payables			
— Shi Qi	27, (ii)	**5,597**	6,115
Amounts due to related parties included in trade and other payables			
— GD Zhuguang Group		**388,074**	206,812
— GZ Zhuguang Property Management		**36,500**	27,447
— GD Fengshun Luhu		**43**	1,223
	27, (ii)	**424,617**	235,482

41. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties *(continued)*

	Notes	2022 HK$'000	2021 HK$'000
Amounts due to non-controlling shareholders included in trade and other payables			
— GZ Ying Fu Investment	(ii)	**40,301**	44,031
— GZ Dongzhi	(ii)	**11,344**	12,394
	27(b)	**51,645**	56,425
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	27, (iii)	**387,709**	470,397
Perpetual capital securities	34	**1,119,753**	1,204,169

Notes:

(i) Amounts due from related parties included in prepayments, other receivables and other assets were derived from the provision of management services, which would be settled in accordance with mutually agreed terms.

(ii) Amounts due to related parties, joint ventures and non-controlling shareholders included in trade and other payables are unsecured, interest-free and repayable on demand.

(iii) Amounts due to the ultimate holding company included in other payables amounting to HK$366,686,000 (2021: HK$330,965,000) are unsecured, carries interest at 12% per annum and repayable in 2024. The remaining balances are unsecured, interest-free and repayable after one year.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Other than unlisted PRC investment funds and financial assets at fair value through profit or loss and derivative financial instruments as disclosed in note 24 and note 28 to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2022 and 2021 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments as at 31 December 2022 and 2021 approximated to their fair values.

Management has assessed that the fair values of trade receivables, deposits, restricted cash, cash and cash equivalents, term deposits, trade and other payables and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The carrying amounts of the non-current portion of bank and other borrowings and amounts due to the ultimate holding company approximate to their fair values. The fair values of the non-current portion of bank and other borrowings and amounts due to the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes of fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2022 and 2021 were assessed to be insignificant.

The Group has estimated the fair value of unlisted PRC investment funds by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets				
Financial assets at fair value through profit or loss	**—**	**—**	**26,722**	**26,722**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	—	—	1,954,226	1,954,226
Financial liabilities				
Derivative financial instruments	—	—	121,781	121,781

The movements in fair value measurements of financial assets within Level 3 are as follows:

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**1,954,226**	3,958,041
Change in fair value during the year	**186,973**	381,434
Disposal during the year	**(411,018)**	(2,481,261)
Reclassified to other receivables stated at amortised cost	**(1,726,242)**	—
Exchange realignment	**22,783**	96,012
At 31 December	**26,722**	1,954,226

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

The movements in fair value measurements of financial assets within Level 3 are as follows: *(continued)*

	2022 **HK$'000**	2021 HK$'000
Derivative financial instruments:		
At 1 January	**121,781**	19,645
Change in fair value during the year	**(122,532)**	116,147
Exercise of warrants	**–**	(14,589)
Exchange realignment	**751**	578
At 31 December	**–**	121,781

The details of the valuation technique and the inputs used in the fair value measurement of financial assets at fair value through profit or loss and derivative financial instruments have been disclosed in note 24 and note 28 to the financial statements, respectively.

Save as disclosed above, during the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities except for the other receivables at fair value reclassified to other receivables stated at amortised cost (note 23(c)) (2021: Nil).

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, amounts due from/to related parties, and cash and term deposits with initial terms of over three months. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

The Group's assets are predominantly in the form of investment properties, properties under development and completed properties held for sale in the PRC. In the event of a severe downturn in the property market in the PRC, these assets may not be readily realised.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than term deposits held at banks and receivables from urban redevelopment projects, the Group does not have significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	**(Increase)/ decrease in loss before tax/ (Decrease)/ increase in profit before tax** HK$'000
2022		
RMB	**0.5%**	**(30,802)**
RMB	**(0.5%)**	**30,802**
2021		
RMB	0.5%	(35,483)
RMB	(0.5%)	35,483
HK$	0.5%	(1,932)
HK$	(0.5%)	1,932

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of borrowings or capital contributions from the shareholders.

All of the Group's revenue-generating operations are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong, in which bank and other borrowings were denominated either in HK$ or US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate against RMB and US$, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Decrease/ (increase) in loss before tax/ Increase/ (decrease) in profit before tax**
		HK$'000
2022		
If HK$ weakens against RMB	**5%**	**286**
If HK$ strengthens against RMB	**(5%)**	**(286)**
If HK$ weakens against US$	**5%**	**(101,212)**
If HK$ strengthens against US$	**(5%)**	**101,212**
2021		
If HK$ weakens against RMB	**5%**	794,029
If HK$ strengthens against RMB	**(5%)**	(794,029)
If HK$ weakens against US$	**5%**	(116,616)
If HK$ strengthens against US$	**(5%)**	116,616

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38.

At the end of the reporting period, the Group had certain concentrations of credit risk as 95% (2021: 97%) and 99% (2021: 97%) of the Group's trade receivable were due from the Group's largest customer and five largest customers, respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	214,994	—	—	1,648	216,642
Receivables for urban redevelopment projects included in trade receivables					
— Normal*	14,945,969	—	—	—	14,945,969
Financial assets included in prepayments, other receivables and other assets					
— Normal*	2,473,416	—	—	—	2,473,416
Restricted cash					
— Not yet past due	628,313	—	—	—	628,313
Cash and cash equivalents					
— Not yet past due	131,259	—	—	—	131,259
Financial guarantees issued					
— Not yet past due	2,706,018	—	—	—	2,706,018
	21,099,969	—	—	1,648	21,101,617

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	—	—	—	130,488	130,488
Receivables for urban redevelopment projects included in trade receivables					
— Normal*	16,218,356	—	—	—	16,218,356
Financial assets included in prepayments, other receivables and other assets					
— Normal*	538,124	—	—	—	538,124
Term deposits with initial terms of over three months					
— Not yet past due	892,746	—	—	—	892,746
Restricted cash					
— Not yet past due	1,087,606	—	—	—	1,087,606
Cash and cash equivalents					
— Not yet past due	83,624	—	—	—	83,624
Financial guarantees issued					
— Not yet past due	4,746,698	—	—	—	4,746,698
	23,567,154	—	—	130,488	23,697,642

* The credit quality of receivables for urban redevelopment projects and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from the pre-sale of properties, committed credit facilities, and short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining an adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing. The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, and accelerating sales with more flexible pricing. The Group will pursue such strategies based on its assessment of relevant future costs and benefits.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Over five years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2022					
Interest-bearing bank and other borrowings (excluding lease liabilities)	**7,117,545**	**5,569,117**	**1,625,305**	**1,906,775**	**16,218,742**
Lease liabilities	**6,751**	**6,751**	**6,188**	**–**	**19,690**
Trade and other payables	**5,742,819**	**21,023**	**442,000**	**–**	**6,205,842**
	12,867,115	**5,596,891**	**2,073,493**	**1,906,775**	**22,444,274**
Financial guarantees issued: Maximum amount guaranteed	**2,706,018**	**–**	**–**	**–**	**2,706,018**
2021					
Interest-bearing bank and other borrowings (excluding lease liabilities)	8,826,856	5,784,042	4,455,578	2,353,464	21,419,940
Lease liabilities	7,452	–	–	–	7,452
Trade and other payables	5,517,933	139,432	442,000	–	6,099,365
Derivative financial instruments	121,781	–	–	–	121,781
	14,474,022	5,923,474	4,897,578	2,353,464	27,648,538
Financial guarantees issued: Maximum amount guaranteed	4,886,244	–	–	–	4,886,244

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt includes total bank and other borrowings less cash and cash equivalents, restricted cash and term deposits with initial terms of over three months. Total capital comprises total equity plus net debt. The Group aims to maintain a healthy and stable gearing ratio.

The gearing ratios as at the end of the reporting periods were as follows:

	2022 **HK$'000**	2021 HK$'000
Interest-bearing bank and other borrowings	**15,319,309**	19,195,996
Less: Cash and cash equivalents	**(131,259)**	(83,624)
Term deposits with initial terms of over three months	**–**	(892,746)
Restricted cash	**(628,313)**	(1,087,606)
Net debt	**14,559,737**	17,132,020
Total equity	**7,351,518**	9,076,303
Total capital	**21,911,255**	26,208,323
Gearing ratio	**66%**	65%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**17,228**	6,534
Investments in subsidiaries	**580,897**	580,897
Trade receivables	**5,266**	5,907
Total non-current assets	**603,391**	593,338
CURRENT ASSETS		
Amounts due from subsidiaries	**18,941,397**	20,944,632
Deposits and other receivables	**3,753**	4,316
Cash and cash equivalents	**1,156**	8,485
Total current assets	**18,946,306**	20,957,433
CURRENT LIABILITIES		
Amounts due to subsidiaries	**9,788,016**	9,230,191
Other payables and accruals	**44,918**	22,643
Interest-bearing bank and other borrowings	**2,064,409**	2,349,322
Income tax payables	**1,181**	1,290
Derivative financial instruments	**–**	121,781
Total current liabilities	**11,898,524**	11,725,227
NET CURRENT ASSETS	**7,047,782**	9,232,206
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,651,173**	9,825,544
NON-CURRENT LIABILITIES		
Other payables	**19,022**	118,409
Interest-bearing bank and other borrowings	**378,362**	772,450
Total non-current liabilities	**397,384**	890,859
Net assets	**7,253,789**	8,934,685
EQUITY		
Share capital	**722,564**	722,564
Reserves (note)	**5,411,472**	7,007,952
	6,134,036	7,730,516
Perpetual capital securities	**1,119,753**	1,204,169
Total equity	**7,253,789**	8,934,685

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2021	5,564,286	717,209	2,075,287	8,356,782
Loss and total comprehensive loss for the year	—	—	(688,141)	(688,141)
Issue of shares (note 32)	61,874	—	—	61,874
Dividend paid	—	—	(722,563)	(722,563)
At 31 December 2021 and 1 January 2022	**5,626,160**	**717,209**	**664,583**	**7,007,952**
Loss and total comprehensive loss for the year	**—**	**—**	**(1,596,480)**	**(1,596,480)**
At 31 December 2022	**5,626,160**	**717,209**	**(931,897)**	**5,411,472**

As at 31 December 2022, the contributed surplus of the Company includes (i) approximately HK$477,805,000 (2021: HK$477,805,000) that arose when the Company issued shares in exchange for the shares of companies being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of the shares acquired; and (ii) approximately HK$239,404,000 (2021: HK$239,404,000) which was credited from the share premium cancellation in the prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

46. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**2,838,843**	2,985,021	6,624,798	4,074,814	2,704,796
Gross profit	**1,966,695**	2,262,611	3,223,940	2,087,261	1,087,787
(Loss)/profit before tax	**(952,129)**	445,860	3,337,557	1,344,797	523,151
Income tax expense	**(69,630)**	(336,244)	(1,112,361)	(625,300)	(445,299)
(Loss)/profit for the year	**(1,021,759)**	109,616	2,225,196	719,497	77,852
Attributable to:					
Owners of the parent	**(997,194)**	71,018	2,242,404	747,225	4,717
Non-controlling interests	**(24,565)**	38,598	(17,208)	(27,728)	73,135
	(1,021,759)	109,616	2,225,196	719,497	77,852

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**37,119,082**	42,897,797	36,930,194	35,843,685	35,808,435
Total liabilities	**(29,767,564)**	(33,821,494)	(27,511,242)	(28,279,591)	(28,960,128)
Net assets	**7,351,518**	9,076,303	9,418,952	7,564,094	6,848,307
Total equity	**7,351,518**	9,076,303	9,418,952	7,564,094	6,848,307

PARTICULARS OF PROPERTIES

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m²	Existing use	Lease term
1.	Levels 31-33, 35-39, 40-43 and 45 Royal Mediterranean Hotel No. 518 Tianhe Road Tianhe District Guangzhou Guangdong Province The PRC	100%	18,184	H	Medium lease
2.	Various floors Zhukong International Lot A2-1 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	60,891	C/O	Medium lease
3.	Various units Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	1,428	C/O	Medium lease
4.	Various floors Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	15,918	C/O	Medium lease

Particulars of properties

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Existing use	Lease term
5.	G235 Yangguang Section Fengshun New Area Fengshun County Meizhou City Guangdong Province The PRC	100%	9,482	C/H	Medium lease
6.	Various retail units Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	2,001	C	Medium lease
7.	Meizhou Yujing Hotel Chaotang Village Chengdong Town Meixian District Meizhou City Guangdong Province The PRC	100%	7,389	H	Medium lease

Property held as property and equipment		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Existing use	Lease term
8.	Guangzhou Vlamhoo Hotel No. 383 Cong Cheng Da Dao Conghua Guangzhou Guangdong Province The PRC	100%	42,331	H	Medium lease

Particulars of Properties

Property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties/ property and equipment m²	Existing use	Estimated/ actual date of completion
9.	Zhukong International Lot A2-1, Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	10,449	133,297	109,824	43,824	5,109	–	60,891	C/CP/O	2015
10.	Pearl Yunling Lake Provincial Highway S355 line Jiekou Street Conghua Guangzhou Guangdong Province The PRC	100%	200,083	126,657	110,417	39,525	28,561	–	42,331	R/H/V	2017-2021
11.	Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	100%	294,684	892,070	757,633	708,189	49,444	–	–	R/C/CP/S	2014-2020
12.	Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	55,031	241,556	186,894	138,745	46,148	–	2,001	R/C/CP	2016
13.	Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	3,430	36,489	28,909	23,668	3,813	–	1,428	S/C/CP	2015
14.	Pearl Yijing No.168 Xin Kai Street West Section Xianghe County Langfang City Hebei Province The PRC	100%	45,310	192,441	164,603	148,759	15,844	–	–	R/C/CP	2017-2020
15.	Xincheng Yujing Zhong Su Shang Wei Sunshine Village Tang Nan Town Fengshun County Meizhou City Guangdong Province The PRC	100%	280,836	355,352	310,716	226,087	49,205	25,942	9,482	R/V/C/CP	2018-2023

Particulars of properties

Property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties/ property and equipment m²	Existing use	Estimated/ actual date of completion
16.	Nansha Scenic Jinzhou Main Street Nansha District Guangzhou The PRC	100%	28,319	103,266	92,544	92,532	12	–	–	R/C/CP	2012-2013
17.	Project Tian Ying Jiang Pu Street Conghua Guangzhou The PRC	100%	22,742	74,502	59,679	52,272	7,407	–	–	R/C/CP	2019
18.	Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	60,237	144,123	108,675	87,267	5,490	–	15,918	R/C/CP/O	2017-2019
19.	Meizhou Chaotang Project Chaotang Village Chengdong Town Meixian District Meizhou City The PRC	100%	46,793	55,248	34,202	–	–	26,813	7,389	H/V	2021-2023
20.	Yujing Yayuan Guoji Fuyong Nanqu Zhongshan City The PRC	50%	15,745	50,471	38,005	20,901	17,104	–	–	R/C/CP	2020
21.	Zhuguang Financial Town One Huangpu Road East Tianhe District Guangzhou Guangzhou Province The PRC	100%	63,637	516,401	391,245	3,688	75,149	312,408	–	R/C/O/CP	2022-2027

R-Residential C-Commercial CP-Car park H-Hotel O-Office V-Villa S-Service Apartment