



NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

2022
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Han Junran (*Chairman*)
Mr. Luo Min

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony
Dr. Ouyang Qingru
Mr. Zhang Jing
Mr. Leung Kwai Wah Alex
Mr. Wong Pak Wing
Mr. Luo Zhen

COMPANY SECRETARY

Mr. Chan Tsz Kit (resigned on 20 July 2022)
Ms. Cheung Sze Ngar (appointed on 20 July 2022 and
resigned on 1 November 2022)
Ms. Eva Lee (appointed on 1 November 2022)

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 17/F, MG Tower
133 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

AUDITORS

McMillan Woods (Hong Kong) CPA Limited
24/F, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
China Citic Bank International Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
North Point, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Han Junran
Ms. Eva Lee

Financial Highlights

	2022 HK\$'000	2021 HK\$'000	Change
Revenue	180,190	197,817	(9)%
Loss from operations	(91,192)	(37,720)	142%
Loss for the year	(127,783)	(69,411)	84%
Total equity	523,212	733,573	(29)%
Total assets	1,965,280	2,285,650	(14)%
Total liabilities	1,442,068	1,552,077	(7)%
Basic loss per share (HK cents)	(88.08)	(74.44)	18%

Chairman's Statement

BUSINESS AND OPERATION REVIEW

Business Review

The Group recorded a revenue of approximately HK\$180,190,000 and recorded a loss after tax of approximately HK\$127,783,000 for the year ended 31 December 2022.

Major business arrangements

Continuing connected transactions

On 31 May 2022, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and car parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2022. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

OUTLOOK AND PROSPECT

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. Profit generated from the rental and related management service of Changliu slightly decreased as compared to last corresponding period. The leasing of Changliu will continue to be one of the Group's main commercial activities. The Group expects that the rental income from Changliu will be maintainable in the coming year.

Since year 2019, the Group has already planned to launch its "New Day, New Life, New City" theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Great Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a perfect integration and implementation of the aforesaid theme of the Group in the year 2020.

Supermarket Business, PRC

The Group's supermarket business in Mainland China was severely impacted by the city lockdowns in 2022 due to COVID-19. Additionally, there were macroeconomic adjustments in Mainland China, prompting the Group to review its business development in 2022 and redesign our supermarket marketing strategy.

Chairman's Statement

Property Management in Beijing, PRC

The Group began making arrangements to engage in Mainland China's property management sector through the licensing of intellectual property rights with China Goal Inc. in 2019. However, due to the severe negative impact of COVID-19 in 2022, the licensing revenue of property management intellectual property did not meet the Group's expectations. Therefore, the Group is reviewing the commercial risks associated with this investment to restructure its investment and strategy in this area.

Investment Properties in Luoyang

With regard to Luoyang Properties, on 5 December 2017, the Group submitted a construction plan to 洛陽市城鄉規劃局 ("洛陽規劃局"). After 洛陽規劃局's review, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimal adjusted. Due to the outbreak of COVID-19 the Group is still waiting for 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order for the Group to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group's commercial property development projects in Great Bay Area that was scheduled in year 2020. In 2022, the COVID-19 pandemic experienced one final wave in Mainland China, and the real estate market in Mainland China underwent structural adjustments. In terms of commercial property arrangements, the Group has already considered holding that for sale. The Group will review the development of the commercial property market in 2023 based on the national re-planning of real estate, and then decide on the next steps and development for that project. The Group holds an optimistic attitude towards the long-term real estate market in China, but we will also not overlook market dynamics and will pay attention to the same in making the most favorable commercial decisions for the Company.

Chairman's Statement

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and staff for their dedication and contribution to the Group.

Han Junran

Chairman

Management Discussion and Analysis

FINANCIAL REVIEW

Results

For the year under review, the Group reported a turnover which represented the rental income and related management service income and retail and related income of approximately HK\$59,318,000 and HK\$120,872,000 (2021: HK\$61,368,000 and 136,449,000). The Group's net loss for the year was approximately HK\$127,783,000 (2021: loss HK\$69,411,000). The basic loss per share for the year was approximately 88.08 HK cents (2021: loss per share 74.44 HK cents). Administrative expenses was approximately HK\$89,358,000 (2021: HK\$76,558,000). Finance costs was approximately HK\$33,863,000 (2021: HK\$31,682,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2022, the Group's total assets was approximately HK\$1,965,280,000 (2021: HK\$2,285,650,000) and total liabilities were of approximately HK\$1,442,068,000 (2021: HK\$1,552,077,000). As at 31 December 2022, the cash and bank balances was approximately HK\$8,608,000 (2021: HK\$6,035,000) and the current ratio (current assets/current liabilities) was 5.09 as at 31 December 2022 (2021: 11.71).

Pledge of Assets

As at 31 December 2022, the Group's investment properties located in Guangzhou (note 20(a)) and (b) Luoyang (note 20(c)) and Zhuhai (note 29) were pledged to secure bank borrowings, details of which are set out in note 33 to the consolidated financial statement.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 69% as at 31 December 2022 (2021: 65%).

Capital Structure

On 8 April 2022, every fifty (50) issued and unissued then existing share of par value of HK\$0.004 each in the share capital of the Company been consolidated into one (1) Share of par value of HK\$0.20 each.

Exchange Risks

The majority of the Group's operations are located in the People's Republic of China (the "PRC") and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

Dividends

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

Management Discussion and Analysis

Employees

As at 31 December 2022, the Group has employed about 63 (2021: 69) employees in Hong Kong and PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

Significant Investments and Material Acquisitions

Details of the significant investments and material acquisitions are set out in note 44(a) to the consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 40 to the consolidated financial statements.

Commitments

Details of the commitments are set out in notes 42 and 43 to the consolidated financial statements.

ENVIRONMENTAL PERFORMANCE

Details of environmental performance are set out in the Environmental, Social and Governance Report on pages 19 to 33.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, and family status, as well as the Employment Ordinance, the Minimum Wage Ordinance and well-being of its employees. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2022. During the year ended 31 December 2022, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company has complied with all the code provisions (“Code Provisions”) as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Listing Rules of the Stock Exchange, save for the deviations listed below:

The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Annual Report will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2022 Annual Report will be despatched to our Shareholders on or before 29 April 2023 and will be available at the websites of the Stock Exchange and the Company.

Corporate Governance Report

THE BOARD OF DIRECTORS

Composition and role of the Board

The Board is responsible for the overall strategic development and business operation of the Group and also monitors the financial performance and control on business operation. The Board will from time to time review the Company's governance practices and will provide complete and sufficient information to its members so as to ensure effective performance of their responsibilities. Currently, the Board is comprised of two Executive Directors and six Independent Non-Executive Directors, which includes:

Executive Directors : Mr. Han Junran (*Chairman*)
Mr. Luo Min

Independent Non-Executive Directors : Mr. Chan Yiu Tung, Anthony
Dr. Ouyang Qingru
Mr. Zhang Jing
Mr. Leung Kwai Wah Alex
Mr. Wong Pak Wing
Mr. Luo Zhen

Biographical details (including age, gender and length of service) of the Board members are set out on pages 34 to 35 of this annual report.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-Executive Directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each Independent Non-Executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each Independent Non-Executive Director an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's business to the Executive Directors, senior management and certain specific responsibilities to the Board Committees.

Corporate Governance Report

DIRECTORS' TRAINING

According to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a Director of a listed company.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2022 to the Company.

The Company has also continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for the year ended 31 December 2022 is summarised below:

Names of Directors	Attending or participating in seminars/conferences/ corporate events or visits/ reading relevant to the business/Directors' duties
Executive Directors:	
Mr. Han Junran (<i>Chairman</i>)	✓
Mr. Luo Min	✓
Independent Non-Executive Directors:	
Mr. Chan Yiu Tung, Anthony	✓
Dr. Ouyang Qingru	✓
Mr. Zhang Jing	✓
Mr. Leung Kwai Wah Alex	✓
Mr. Wong Pak Wing	✓
Mr. Luo Zhen	✓

Corporate Governance Report

During the year ended 31 December 2022, 4 full Board meetings were held by the Company and complied with the Code Provision A.1.1. The 2022 annual general meeting was held by the Company on 2 June 2022. The Company has already established a profound regime to ensure effective communication among the Directors.

The attendance record of each Director at the Board meetings and the 2022 annual general meeting are as follows:

Names of Directors	Attendance/Number of Board meetings	Attendance of 2022 annual general meeting
Mr. Han Junran	4/4	–
Mr. Luo Min	4/4	✓
Mr. Chan Yiu Tung, Anthony	3/4	–
Dr. Ouyang Qingru	0/4	–
Mr. Zhang Jing	4/4	–
Mr. Leung Kwai Wah Alex	4/4	✓
Mr. Wong Pak Wing	3/4	–
Mr. Luo Zhen	1/4	–

Chairman and Chief Executive Officer

According to Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the year ended 31 December 2022, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Han Junran. As the current nature of the Group's business is not complicated, the Board believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals with diversity of perspectives in accordance with Code Provision A.3. The Board currently comprises two Executive Directors and six Independent Non-Executive Directors and therefore has a strong independence element in its composition. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

Appointment, re-election and removal of the Directors

The Non-Executive Directors of the Company are not appointed for specific terms, thus deviates from Code Provision A.4.1. According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At present, the Chairman's continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman's role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole. Meanwhile, in view of the fact that Non-Executive Directors are subject to retirement by rotation in accordance with the Articles of Association of the Company, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions.

Corporate Governance Report

Pursuant to Articles 87(1) and 87(2) of the Articles of Association, Mr. Chan Yiu Tung, Anthony, Mr. Wong Pak Wing and Mr. Luo Zhen shall retire at the 2023 AGM. Mr. Chan Yiu Tung, Anthony and Mr. Luo Zhen, being eligible, will offer themselves for re-election at the 2023 AGM. Mr. Wong Pak Wing shall retire from office as an independent non-executive director and will not offer himself for re-election. He will retire from office as an independent non-executive director with effect from the conclusion of 2023 AGM.

In accordance with Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any director(s) proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. The requisite details of the above retiring Directors are set out in Appendix II to the circular.

BOARD COMMITTEES

The Board has established various committees under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively, "Board Committees"), to oversee different aspects of the Group's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee shall consist members of Non-Executive Directors of the Company. The Audit Committee currently comprises three Independent Non-Executive Directors, namely Mr. Leung Kwai Wah Alex (as Chairman), Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The quorum of meetings of the Audit Committee shall be any two members. The terms of reference of the Audit Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with reporting and accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

Corporate Governance Report

During the year ended 31 December 2022, the Audit Committee held 4 meetings. Each committee meeting has been supplied with the necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Names of members	Attendance/Number of meetings
Mr. Leung Kwai Wah Alex (<i>Chairman</i>)	4/4
Mr. Chan Yiu Tung, Anthony	2/4
Mr. Zhang Jing	4/4

During the year under review, the Audit Committee had performed the following work:

- reviewed the annual results for the year ended 31 December 2021 and the interim results for the six months ended 30 June 2022;
- discussed with the management of the Company over the completeness, fairness and adequacy of reporting and accounting standards and policies of the Group in the preparation of the 2022 interim and annual financial statements;
- reviewed and discussed with the external auditor over the financial reporting of the Company;
- recommended to the Board, for the approval by Shareholders, of the re-appointment of the auditor; and
- reviewed the internal control procedures of the Group.

The Board also delegated certain corporate governance functions to the Audit Committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Company formulated written terms of reference for the Remuneration Committee in accordance with requirements of the Stock Exchange. The Remuneration Committee shall comprise at least three members with majority of Independent Non-Executive Directors, and an Independent Non-Executive Director should take up the role of Chairman of the Remuneration Committee. The Remuneration Committee currently comprises two Independent Non-Executive Directors, namely, Mr. Chan Yiu Tung, Anthony (as Chairman), and Mr. Leung Kwai Wah Alex and one Executive Director, Mr. Han Junran. The quorum of meetings of Remuneration Committee shall be any two members. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

Corporate Governance Report

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and to make recommendations to the Board on the remuneration of Independent Non-Executive Directors.

During the year ended 31 December 2022, the Remuneration Committee held 1 meeting for reviewing the remuneration package of the Directors of the Company and approving the proposed remuneration of a senior management.

Names of members	Attendance/Number of meetings
Mr. Chan Yiu Tung, Anthony (<i>Chairman</i>)	1/1
Mr. Han Junran	1/1
Mr. Leung Kwai Wah Alex	1/1

The emolument payable to Directors and senior management will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in notes 15 and 16 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 1 April 2012. Prior to the establishment of the Nomination Committee, its role and functions were performed by the Board. The Chairman from time to time reviewed the composition of the Board with particular regard to the number and the independence of the Independent Non-Executive Directors. The Board also reviewed and determined the suitability and terms for re-appointment of Directors.

The Company formulated written terms of reference for the Nomination Committee in accordance with requirements of the Stock Exchange and amended the same on 23 August 2013. The Nomination Committee shall comprise at least three members with a majority of Independent Non-Executive Directors, and the Chairman of the Board or an Independent Non-Executive Director should take up the role of Chairman of the Nomination Committee. The Nomination Committee currently consists of one Executive Director, Mr. Han Junran (as Chairman), and three Independent Non-Executive Directors, namely, Mr. Leung Kwai Wah Alex, Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The quorum of meetings of the Nomination Committee shall be any two members. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of Independent Non-Executive Directors; and 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 based on the nomination policy of the Company.

Corporate Governance Report

The Company adopted a board diversity policy in August 2013 to enhance the quality of its performance in accordance with Code Provision A.5.6. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All board appointments will be based on meritocracy, and candidates will be selected based on a range of diversity perspectives, including gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee will review the policies from time to time at least once every year to ensure its effectiveness and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. During the year under review, the Nomination Committee has reviewed the Board's composition (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and length of services) which has been disclosed in pages 34 and 35 in this annual report and considered the current Board's composition is appropriate.

During the year ended 31 December 2022, the Nomination Committee reviewed the composition of the Board and the retirement and re-election of Directors. The Committee held 1 meeting during the year and the attendance records of the members at the meeting are set out below:

Names of members	Attendance/Number of meetings
Mr. Han Junran (<i>Chairman</i>)	1/1
Mr. Chan Yiu Tung, Anthony	1/1
Mr. Leung Kwai Wah Alex	1/1
Mr. Zhang Jing	1/1

SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors of the Company. All the members of the Board have confirmed, following the specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022. The Model Code also applies to other specified senior management of the Group.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company on their reporting responsibilities for the Group's consolidated financial statements for the year ended 31 December 2022 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to the Company's external auditors, McMillan Woods (Hong Kong) CPA Limited and its affiliates in respect of audit and non-audit services for the year ended 31 December 2022 are as follows:

Nature of services	Amount HK\$'000
Audit services	880

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the consolidated financial position of the Group and of the consolidated financial performance and consolidated cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The Directors acknowledge their responsibility to prepare the consolidated financial statements as set out on pages 50 to 132 of this annual report. The statement of the external auditors about their reporting responsibilities on the consolidated financial statements is set out in the paragraph headed "Independent Auditors' Report" on pages 42 to 49 of this annual report.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of Shareholders of the Company.

During the year ended 31 December 2022, the Board conducted an annual review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management.

COMPANY SECRETARY

During the year ended 31 December 2022, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has established a Shareholder's Communication Policy to enhance communication between the Company and its Shareholders. Communication is achieved through various means including the convening of general meetings, the dispatch of annual reports, interim reports and circulars. The Chairman of the Board also proposes separate resolution for each substantive issue including re-election of Directors.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Articles 58 of the Articles of Association, an extraordinary general meeting ("EGM") may be convened by the Board on a written requisition of any one or more Shareholders of the Company holding not less than 10% of the paid up capital of the Company carrying the right of voting at general meeting of the Company. The EGM shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene the EGM, the requisitioner(s) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) of the Company.

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

Articles of Association

There was no change to the Articles of Association to the Company during the year ended 31 December 2022.

INVESTOR RELATIONS

The Company establishes shareholders communication policy and offers different communication channels with investors to update the latest business development and financial performance including the publication of interim and annual reports, the publishing and posting of notices, announcements and circulars on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk) in a timely manner in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information. Such policy will be reviewed on a regular basis at least once every year to ensure its effectiveness.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1. Background

The Group is committed to ethical corporate citizenship and to promoting sustainability in its business activities. The Group demonstrates these commitments through transparent and responsible management of our environment and social practices.

1.2. Reporting Standards

The ESG Report (the “Report”) was prepared in accordance with the ESG Reporting Guide set out in the Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In preparation of the Report, the Group strictly adhered to the principles of Materiality, Quantitative, Balance and Consistency to disclose the ESG-related measures and performances.

The corporate governance of the Group was prepared in accordance with all applicable code provisions set out in the Corporate Governance Code under Appendix 14 of the Listing Rules of the Stock Exchange. Information regarding the Group’s corporate governance was set out separately in the “Corporate Governance Report” in this annual report.

1.3. Reporting Scope

The scope of the Report covers the environmental and social performance of the business operations in the Group’s head office located in Hong Kong as well as five commercial offices in the People’s Republic of China (the “PRC”), including Luoyang, Changyang, Changliu, Changying and Zhuhai Teng Shun, from 1 January 2022 to 31 December 2022 (the “year”).

1.4. Opinion and Feedback

The Group values the opinion of stakeholders. If any stakeholder has any feedback or suggestions on the Report, please send them to the Company’s email address at info@newcitygroup.com.hk. Your feedback or suggestions would help the Group continuously improve its ESG performance.

2. MANAGEMENT APPROACH TO ESG

The Board takes the overall responsibility for the oversight of the Group’s ESG matters, including policies, measures, performance and risks. Through regular board meetings, the Board evaluates and reviews ESG matters as appropriate.

Environmental, Social and Governance Report

3. MATERIALITY ASSESSMENT

3.1. Stakeholder Engagement

The Group understands the importance of developing long-term relationships and constant dialogues with various stakeholders. The management seeks to balance the views and interests of various constituencies through constructive conversation. Key groups of stakeholders are shown below:

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"> - The Board - Management - General staff 	<ul style="list-style-type: none"> - Shareholders/Investors - Customers - Government

Understanding the needs and expectations of stakeholders enables the Group to respond to their concerns and manage potential risks. To solicit their feedback, the Group engages its key stakeholders through a range of channels such as meetings, emails, telephone, interviews, and website.

Highlights of stakeholder engagement are shown below:

Customers	Customer feedback is invaluable as the Group operates in extremely competitive markets. There are a number of channels to solicit customer comments and recommendations through our website and email communications.
Government	Along with different government laws, rules and regulations between Hong Kong and the PRC, the Group makes tremendous effort to ensure that it is complied with the relevant laws and regulations.
Employees	Open communication helps build trust and higher levels of engagement in the workplace. Communication channels, such as notices, emails, team briefings, are available for frontline staff to raise any concerns at work to their direct supervisors and managers. Performance appraisals and annual surveys are also served as platforms for the management to evaluate the performances of frontline staff and voice out their expectations to the Group's future development.

The Group believes that stakeholder engagement is a continuous process and will continue to explore different forms of engagement channels in order to strengthen its interaction with stakeholders to create mutually beneficial relationships.

Environmental, Social and Governance Report

3.2. Material Topics

To ensure the Report address the environmental and social issues that are important to the business operation and its stakeholders, the Group has assessed the ESG aspects set forth in the ESG Reporting Guide. The table underneath shows the material ESG issues for the Group.

ESG Aspects as set forth in ESG Reporting Guide		Material ESG issues for the Group
(A) Environmental	A1 Emissions	Air pollution, emission from company vehicle and electricity
	A2 Use of Resources	Use of energy
	A3 Environment and Natural Resources	No other significant environmental impact
	A4 Climate Change	Climate change
(B) Social	B1 Employment	Labour practices
	B2 Health and Safety	Workplace health and safety
	B3 Development and Training	Employee development and training
	B4 Labour Standards	Anti-child and forced labour
	B5 Supply Chain Management	Supply chain management
	B6 Product Responsibility	Product responsibility
	B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
	B8 Community Investment	Community programs, employee volunteering and donation

4. (A) ENVIRONMENTAL

The Group recognises the importance of environmental stewardship and a healthy environment. The Group is dedicated to maintaining its energy consumption and emission at low levels. The management strives to enhance operational efficiency and has actively implemented eco-friendly measures to reduce carbon footprint in our business operations. For instance, board meetings and management meetings have largely moved online. Such changes reduce travel emission following the implementation of carbon reduction measures.

Type of emission sources that the Group involved during the year was mainly electricity. The Group's business did not involve in production-related air, water, and land pollutions which are regulated under national laws and regulations. There was no use of packaging materials involved in the Group's business operation.

Environmental, Social and Governance Report

4.1. A1 Emissions

Air Emission

Key air pollutants were emitted by company vehicles. Petrol and liquefied petroleum gas were the main car fuel used by the Group during the Reporting Period. The Group aims to maintain or reduce its air pollutant emissions in the coming year to levels below those of this year.

The fuel consumption data is set out in the table below:

Fuel consumption	2022	2021	Unit
Petrol	4,709.09	3,589.46	L
Liquefied Petroleum Gas ("LPG")	851.0	–	kg

Indoor air pollution was mainly produced by photocopiers, stale air drawn in from outside through poorly located fresh air inlets and bacteria that entered the office. In order to improve the indoor air quality, the Group has implemented a range of air pollution emission measures as follows:

- Ensure air inlets are away from any source of pollutants and sufficient ventilation systems;
- Clean all air units regularly (e.g. air inlets, air outlets and filters); and
- Perform regular maintenance on carpet and furniture upholstery.

The air emissions data is set out in the table below:

Air emissions	2022	2021	Unit
Nitrogen oxides (NO _x)	–	6.07	kg
Sulphur oxides (SO _x)	0.07	0.11	kg
Respirable suspended particulates (RSP)	–	0.41	kg

Greenhouse Gases (GHG) Emission

The primary source of GHG emission was Scope 2 energy direct GHG emissions, which was mainly contributed by electricity consumption (Please refer to 4.2 A2 for energy usage data), accounting for 98% of the total GHG emissions. Scope 1 direct GHG emissions and Scope 3 other indirect emissions constituted the rest of the total GHG emissions. The increase in Scope 2 indirect emission was due to ease of the pandemic, which there were more electricity consumption for the Group's operation. The Group aims to reduce its GHG emissions for 15% by year 2030 from the base year of 2022.

Environmental, Social and Governance Report

The GHG emission data is set out in the table below:

GHG emissions	2022	2021	Unit
Scope 1 Direct Emission	12.5	19.5	tonnes of CO ₂ -e
Scope 2 Indirect Emission	2,170.8	164.7	tonnes of CO ₂ -e
Scope 3 Other Indirect Emission	19.9	–	tonnes of CO ₂ -e
Total GHG emission	2,203.2	184.2	tonnes of CO ₂ -e
GHG intensity	0.05	0.2	tonnes of CO ₂ -e/m ²

Note: Including head office in Hong Kong and five commercial offices in the PRC. The Group is progressively improving the data management system to enhance the accuracy of the disclosure. Relevant figures are modified due to technical refinement.

Non-hazardous Waste

The Group generated minimal quantities of hazardous waste in its operation. Non-hazardous waste from the Group's operation was mainly office paper and the management of the Group believed that the impact of non-hazardous waste arose from the paper waste was insignificant. The Group aims to reduce its waste production in the coming year. Mindful of its responsibility to manage and reduce the waste, the Group has implemented a set of measures at offices:

General waste in offices	<ul style="list-style-type: none"> – Adopt e-communication whenever possible – Use recycled paper and double-sided printing – Use E-flyer to allow printing on demand basis
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4.2. A2 Use of Resources

Use of Energy

Improving operational energy efficiency is a fundamental strategy to reduce energy consumption and associated GHG emission. The total energy consumption of the year was 3,564,325.7 kWh-e (2021: 349,527.0 kWh-e) which was higher than that of the year 2021. Such increase was due to the ease of epidemic situation in 2022, which the Group's operation allowed more face-to-face interaction and has consumed more electricity. The Group aims to reduce its energy consumption for 15% by year 2030 from the base year of 2022.

Environmental, Social and Governance Report

The energy consumption data is set out in the table below:

Energy consumption		2022	2021	Unit
Direct energy	Petrol	45,637.5	72,386.5	kWh-e
	LPG	11,650.2	–	kWh-e
Indirect energy	Electricity	3,564,325.7	277,140.5	kWh
Total energy consumption		3,621,613.4	349,527.0	kWh-e
Energy intensity		79.0	265.6	kWh-e/m ²

Note: Including head office in Hong Kong and five commercial offices in the PRC. The Group is progressively improving the data management system to enhance the accuracy of the disclosure. Relevant figures are modified due to technical refinement.

Water Consumption

There was no water consumption involved in the Group's business operation. The Group mainly withdraws water from municipal supplies and has no issue in sourcing water during the year. Domestic water is consumed for personal hygiene and routine cleaning.

Packaging Materials

The business operations of the Group do not involve packaging materials.

4.3. A3 Impacts on Natural Resources and Management Actions

The Group believes that corporate development should not come at the expense of the environment. Therefore, the Group has adopted environmentally friendly practices in various aspects and company events. In addition to the emissions and resource use disclosed hereinabove, the nature of the Group's operation did not have any significant impact on the environment and natural resources.

There was no non-compliance case noted in relation to environmental laws and regulations for the year.

4.4. A4 Climate Change

The Group understands the potential risks of climate change to its operations. In considering its plans, the Group has adopted policies on climate change and implemented number of mitigation plans and measures, in order to improve energy efficiency and reduce emissions from its managed properties.

Environmental, Social and Governance Report

Physical Risk

The operations of the Group are located in Hong Kong and the PRC. Extreme weather conditions such as typhoons and heavy rains are expected to become more frequent with climate changes. The Group has prepared contingency plans to cope with these threats.

Transition Risk

With regard to the risk of climate transition, it is believed that environmental-related policies and regulations, such as carbon emission requirements, will be tightened in the future. The Group will promote and encourage employees to reduce carbon emissions in their daily business activities, and will also provide relevant information and resources to enhance responsiveness. In addition, the Group will communicate with stakeholders such as employees, suppliers and local communities on the impact of climate change and the Company's climate change strategy to help them enhance their resilience to climate change. The Group will monitor updates on climate change-related regulations as a potential transition to climate risk.

5. (B) SOCIAL

Being a responsible business and employer, the Group is committed to consistently looking for ways to meet the corporate social responsibilities. The Group focuses on its staff, environment and community as well as its business partners.

5.1. B1 Employment and Labour Practices

The Group actively complied with laws and regulations, such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and the "Regulations on Work-related Injury Insurances". The Group has formulated series of relevant personnel management policies to provide employees with a healthy, positive and motivative working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

A sound employment system is the first step in talent attraction and retention. The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. The Group possesses a Remuneration Committee, which regularly reviews its remuneration policy. The Remuneration Committee ensures packages offered by the Group are appealing to employees and in line with the market trend.

Employees are entitled to discretionary cash bonus and retirement benefit scheme. Additional fringe benefits include office insurance, employee compensation insurance, directors' and officers' liability insurance. Various types of paid leave are also offered on top of statutory requirement including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and wedding leave. Employees working overtime are entitled to overtime allowance and compensation by time off. The Group may also at its sole discretion, to grant share options to employees as a long-term incentive aiming to motivate employees pursuing Group's goal and objectives. Employees including directors can subscribe shares of the Company based on their performance and contribution to the Group.

Environmental, Social and Governance Report

Total Workforce and Breakdown

The Group had a total number of 63 (2021: 69) employees as of 31 December 2022. The workforce data is set out in the table below:

Workforce Summary

Breakdown	Number of Employees
Total Number of Employees	63
By Gender	
Male	39
Female	24
By Employment Type	
Full-time	34
Part-time	10
Intern	19
By Employment Level	
Senior Management	12
Middle Management	6
General Staff	40
Contact or Short-term Staff	5
By Age Group	
30 and below	2
31–50	39
51 and above	22
By Geographical Region	
China	52
Hong Kong	11

Environmental, Social and Governance Report

Turnover Rate

Breakdown	Number of Employees	Percentage (%)
Total	11	16.9%
By Gender		
Male	5	12.8%
Female	6	23.1%
By Age Group		
30 and below	0	0.0%
31–50	7	17.5%
51 and above	4	17.0%
By Geographical Region		
China	10	18.5%
Hong Kong	1	9.1%

The Group will continue to provide a well-structured and caring environment to its employees to raise their sense of belonging and work efficiency at the Group.

5.2. B2 Employee Health and Safety

The Group strives to promote safety awareness, improves occupational environment and reduces occupational risks. The Group continuously promotes safety awareness among employees and commits to providing a healthy and safety working environment for its employees. The Group has dedicated adequate resources and effort to uphold and improve the Group's safety management measures in order to reduce the risks relating to labour safety, such as: ensuring a healthy and safety workplace and compliance with all relevant workplace health and safety laws, and maintaining various insurance policies for employees' compensation and liability.

During the outbreak of the COVID-19 pandemic, the Group has several policies to protect its staff:

- All public area would be performed disinfection on timely basis;
- Provide mask and disinfection supplies to all staff;
- Request all management provide mask himself/herself; and
- Request each Department Head to monitor the health status of its staff on timely basis.

During the year, the Group had no non-compliance case regarding violation of relevant laws and regulations on occupational health and safety.

Environmental, Social and Governance Report

The Group complies with all applicable laws and regulations on occupational health and safety and has not reported any fatalities in relation to its work during the reporting period in the past three years. During the year, one employee of the Group suffered a work-related injury, and the working day lost due to work-related injury during the reporting period was zero.

Health and safety	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Number of work-related fatalities	0	0	0	0	0	0
Lost days due to work injury	0	0	0	0	0	0

5.3. B3 Development and Training

The Group provides training covering topics of business operations, policy and procedures of the Group, statutory and regulatory obligations of being a director. Briefings and seminars are also provided to staff after the induction to refresh the professional knowledge and skills.

Category	Percentage of employees trained	Average training hours
Overall	46.2%	0.5
By Gender		
Male	46.7%	0.4
Female	53.3%	0.6
By Employment level		
Senior Management	0.0%	0
Middle Management	16.7%	0.8
General Staff	83.3%	0.6

In addition, the Group supports employees' personal development through attending external trainings. The information of relevant seminars or training courses are regularly provided to employees via email. Employees can register on a voluntary basis, either in person or through the Company. Special leave would be granted to employees who participated in training during working hours.

Environmental, Social and Governance Report

5.4. B4 Labour Standards

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability. This measure ensures all employees and job applicants enjoy equal opportunities and fair treatment in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, race, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of the Group.

In particular, the Group adopts a Board Diversity function under which the Board composition includes members from with different skills, industry knowledge and experience, education, background and other qualities without discrimination.

During the year, the Group did not identify any non-compliance cases regarding violation of relevant child labour and forced labour laws. No child or forced labour was employed in the Group's operations during the year that was compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management. If the use of child and forced labour is discovered, the Group will terminate the relevant employment contract immediately and investigate if any other further action is required.

5.5. B5 Supply Chain Management

Due to the Group's business nature, the Group has no major supplier during the Reporting Period. The Group has a policy in place to obtain quotations from more than one supplier for procurement. The selection of suppliers or service providers would base on specifications and standards, product and service quality as well as service support.

The Group has a green procurement policy that makes it mandatory to monitor and assess its suppliers or service providers to identify environmental and social risks in the supply chain. In this way, the Group will exclude all suppliers or service providers that have not been or are not evaluated.

5.6. B6 Product Responsibility

As stated in the Group's Employee Manual, insider information is strictly prohibited to disclose to third party. The Group respects customer privacy and intellectual property rights of any third-party and therefore consumer data and privacy matters relating to services are being highly protected. The Group is committed to comply with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and local legislations, to ensure that all data are securely kept in the internal system with access control. During the year, the Group did not identify any non-compliance cases regarding violations of relevant laws and regulations on product responsibility and data privacy during the year.

During the year, the Group has not recalled any products due to safety and health reasons and did not receive any product or service-related complaints.

Environmental, Social and Governance Report

5.7. B7 Anti-corruption

The Group is strongly against bribery, extortion, fraud and money laundering. During the year, the management of the Group did not find any case of bribery or fraud. Through the controlled environment developed by all staff, the Group believes that the risk of the occurrence of fraud behavior has been minimised. The Group's whistleblowing policy, which employees may anonymously report any suspected or actual event of bribery and corruption to their supervisor or management of higher level, including to an appropriate Board committee or member, without the threat of dismissal or retaliation. The supervisors, managers and/or Board members who receive the reports shall promptly act to investigate the issue. The Group will continue to monitor the related risks to maximise the values for the shareholders and other related parties.

During the year, the Group did not identify any non-compliance cases with laws and regulations in relation to corruption nor was there any concluded legal case regarding corruption practices brought against it or its employees.

5.8. B8 Community Investment

To maintain a high standard of corporate governance, the Group acknowledges the importance of enhancing its transparency to the community. The community is regularly informed of updated news and directions of the Group through circulars, announcements and annual reports posted on the Company's website. The Group is currently planning its direction on focus area of community engagement and types of resources to be contributed.

Environmental, Social and Governance Report

6. PERFORMANCE CHART

Environmental Performance	Unit	2022	2021
Air emissions			
Nitrogen oxides (NO _x)	kg	163,392.0	6.07
Sulphur oxides (SO _x)	kg	817.03	0.11
Respirable suspended particulates (RSP)	kg	–	0.41
GHG emissions			
Scope 1 Direct Emission	tonnes of CO ₂ -e	15.1	19.5
Scope 2 Indirect Emission	tonnes of CO ₂ -e	2,170.8	164.7
Scope 3 Other Indirect Emission	tonnes of CO ₂ -e	19.9	0.0
Total GHG emission	tonnes of CO ₂ -e	2,205.8	184.2
GHG intensity	tonnes of CO ₂ -e/m ²	0.05	0.2
Energy consumption			
Petrol	kWh-e	45,637.5	72,386.5
LPG	kWh-e	11,650.2	–
Electricity	kWh	3,564,325.7	277,140.5
Total energy consumption	kWh-e	3,621,613.4	349,527.0
Energy intensity	kWh-e/m ²	79.0	265.6

Environmental, Social and Governance Report

Social Performance		Unit	2022
Workforce			
Total Number of Employees		Number of employees	63
		Turnover percentage (%)	16.9
By Gender	Male	Number of employees	39
		Turnover percentage (%)	12.8
	Female	Number of employees	24
		Turnover percentage (%)	23.1
By Age	30 and below	Number of employees	2
		Turnover percentage (%)	0.0
	31-50	Number of employees	39
		Turnover percentage (%)	17.5
	51 and above	Number of employees	22
		Turnover percentage (%)	17.0
By Region	China	Number of employees	52
		Turnover percentage (%)	18.5
	Hong Kong	Number of employees	11
		Turnover percentage (%)	9.1
Employee health and safety			
Injury rate per 1,000 employees		%	0
Number of days lost due to work-related injuries		Number of days	0
Number of Deaths		Number of people	0
Death rate		%	0

Environmental, Social and Governance Report

Social Performance		Unit	2022
Development and training			
Overall		Percentage of trained employees (%)	46.2
		Average training hours	0.5
By Gender	Male	Percentage of trained employees (%)	46.7
		Average training hours	0.4
	Female	Percentage of trained employees (%)	53.3
		Average training hours	0.6
By Employment level	Senior management	Percentage of trained employees (%)	0.0
		Average training hours	0
	Middle management	Percentage of trained employees (%)	16.7
		Average training hours	0.8
	General staff	Percentage of trained employees (%)	83.3
		Average training hours	0.6

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Han Junran, aged 66, obtained a professional law diploma from China Politics and Laws University in 1988. In 2001, Mr. Han also obtained a master's degree in enterprise management from Capital University of Economics and Business. Mr. Han has worked for Beijing Urban Construction Group Company Limited, the office of The Standing Committee of the National People's Congress of Beijing City and the office of the Beijing Municipal Government since 1983. Mr. Han joined the Group in December 1999 as the Group's general manager. Mr. Han is currently responsible for the Group's overall strategic development and management. Mr. Han was appointed as an Executive Director of the Company in December 1999 and the Chairman of the Company in December 2002.

Mr. Luo Min, aged 56, is an engineer and has extensive experience in property development, investments and management. Mr. Luo was appointed as a Non-Executive Director of the Company in May 2008. On 1 March 2012, Mr. Luo has been redesignated from a Non-Executive Director to an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Tung, Anthony, aged 64, graduated from University of Toronto in 1982. Mr. Chan has over 20 years experience in the construction and property investment field and is currently the managing Director of Chan Shum Kee Sam Lee Construction Company Limited. Mr. Chan is currently the member of various organisations including Lions Club of Hong Kong West (President during the years 1996/97 and 2001/02), Hong Kong Registered Contractors Association (President), The Hong Kong Construction Association Ltd (Council Member), H.K. General Building Contractors Association Ltd (President for 2011–2013), Kwong Yuet Tong Hong Kong (Council Member), Association of Hong Kong Nanjing Fellows Ltd (Director), The Chinese General Chamber of Commerce (Shamshuipo) (Council Member), Commercial & Industrial Committee of DAB (Council Member), Guangzhou Overseas Friendship-Liaison Association (Council Member), Yan Oi Tong (Directors for the years 2006 to 2009 and 2011 to 2014), Mr. Chan was appointed as an Independent Non-Executive Director of the Company in August 2002.

Dr. Ouyang Qingru, aged 56, graduated from the Shanghai Second Medical University, is the engineer of the Anesthesiology division of a leading hospital. Working in the Hospital, Dr. Ouyang is familiar with clinical anesthesia and medical equipment application and has immersed experience in the hospital management. Dr. Ouyang was appointed as an Independent Non-Executive Director of the Company in December 2014.

Directors' Profile

Mr. Leung Kwai Wah Alex, aged 70, is currently a mentor of mentorship program of two universities in Hong Kong. Mr. Leung has 30 years of experiences in banking and financing field. Mr. Leung is a fellow member of Governance Institute of Australia, Hong Kong Institute of Directors, Institute of Chartered Secretaries and Administrators and Hong Kong Securities and Investment Institute. Mr. Leung is also a member of Hong Kong Treasury Markets Association. Mr. Leung graduated from Hong Kong Baptist College with a business administration major in 1979 and obtained a master's degree in business administration from Illinois State University in USA in 1981. Mr. Leung was appointed as an Independent Non-Executive Director of the Company in June 2016. Mr. Leung has been an independent non-executive director of Global New Material International Holdings Limited, a company listed on the Stock Exchange, since December 2020 (stock code: 6616).

Mr. Zhang Jing, aged 66, is currently a director of private equity investment of Oriental Patron Financial Group Limited in Hong Kong. Mr. Zhang has over 22 years of experiences in corporate management. Mr. Zhang served as the general manager of China Security Limited (中國中安保有限公司). Prior to this, Mr. Zhang was the deputy general manager of Sichuan Jinguang Group (四川金廣集團). He also served as the director and deputy general manager of collective economic management department of China Yituo Group (中國一拖集團) and the chief financial officer of First Tractor Company Limited. Mr. Zhang obtained a bachelor's degree in industrial accounting from Henan Radio & Television University and a master's degree in management engineering from Jiangsu University. Mr. Zhang was appointed as an Independent Non-Executive Director of the Company in June 2016.

Mr. Wong Pak Wing, aged 32, obtained a bachelor's degree in education from the University of Hong Kong and obtained a master's degree in Communications from School of Journalism and Communication, Peking University. Mr. Wong is one of the founders of Popturn Technology Company Limited (博圖科技有限公司), responsible for software development and internet business from 2016 to 2018. From June 2018 to June 2019, Mr. Wong served as an assistant to director of the Office of the Non-public Economic Work Leading Group in Fangchenggang City, Guangxi Zhuang Autonomous Region, mainly responsible for research and assisting in promoting the development of the non-public economy in Fangchenggang City, Guangxi Zhuang Autonomous Region. In addition, since 2016, Mr. Wong has served as a member of the Youth Committee Beijing Overseas Friendship Association.

Mr. Luo Zhen, aged 70, graduated from Beijing Foreign Studies University, majoring in English, and then obtained a bachelor's degree in political science from Brigham Young University – Hawaii Campus in the United States and a master's degree in real estate from New York University. Mr. Luo has extensive work experience and knowledge. He served as the general manager of Huarong Group in the United States and the executive vice president of the US-China Association for Promotion of Economy and Trade. Mr. Luo also served as the director of customer development department in the Greater China Region of CBRE, and worked as the general manager of Savills Valuation and Professional Services Limited and the general manager of Savills Real Estate Valuation (Beijing) Company Limited.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in property development and investment in the PRC which has not been changed during the year. Details of the principal activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the Group’s financial position at that date are set out in the consolidated financial statements on pages 50 to 53.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the consolidated financial statements and the consolidated statement of changes in equity respectively.

BUSINESS REVIEW

The Group recorded a turnover of approximately HK\$180,190,000 and recorded a loss after tax of approximately HK\$127,783,000 for the year. Details of which, are set out in the paragraph headed “Management Discussion and Analysis” on pages 7 to 8.

SHARE CAPITAL

Details of the movement of share capital of the Company are set out in note 37 to the consolidated financial statement.

DISTRIBUTABLE RESERVES

The Company’s reserves available for distribution represent the aggregate of special reserve and share premium less accumulated losses. Under the Companies Law of the Cayman Islands, the special reserve and share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2022, the Company’s reserves available for distribution (2021: HK\$376,134,000) are as follows:

	HK\$’000
Share premium account	585,887
Special reserve	306,450
Accumulated losses	(535,383)
	<hr/>
	356,954
	<hr/>

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Han Junran (*Chairman*)
Mr. Luo Min

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony
Dr. Ouyang Qingru
Mr. Zhang Jing
Mr. Leung Kwai Wah Alex
Mr. Wong Pak Wing
Mr. Luo Zhen

In accordance with the Articles of Association, Mr. Chan Yiu Tung, Anthony, Mr. Wong Pak Wing and Mr. Luo Zhen shall retire from office. Mr. Chan Yiu Tung, Anthony and Mr. Luo Zhen being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr. Wong Pak Wing shall retire from office as an independent non-executive director and will not offer himself for re-election, he will be retired from his office as an independent non-executive director with effect from the conclusion of 2023 AGM.

The Company has received annual confirmations of independence from each of the Independent Non-Executive Director of the Company and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Han Junrun, the Chairman and Executive Director, has entered into a service agreement with the Company commencing 16 December 2002 for a period of three years and continuing thereafter until his Directorship is terminated.

Mr. Luo Min, an Executive Director, has entered into a service agreement with the Company for a period of one year commencing 1 March 2012 and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of Independent Non-Executive Directors is from the date they were last elected to the date of their retirement by rotation in accordance with the Company's Articles of Association.

Apart from the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the Chief Executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Capacity/nature of interests	Number of shares and underlying shares held	Approximate %* of shareholding
Han Junran	Interest of controlled corporation	37,733,255 ⁽¹⁾	43.60
	Beneficial owner	7,820,000	9.04

Note:

(1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 37,733,255 shares of the Company, representing 43.60% of the issued share capital. For the purposes of the SFO, Mr. Han Junran was deemed to be interested in the 37,733,255 shares of the Company held by Junyi Investments Limited.

* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors or Chief Executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions and connected transaction disclosed in note 41 to the consolidated financial statements, there were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which will remain in force for a period of 10 years from the date of adoption. The share option scheme expired on 14 June 2012.

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACTS

Save as disclosed above, no contract of significance had been entered into between the Company or any of the subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2022, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name	Capacity	Number of shares and underlying shares held	Approximate %* of shareholding
Junyi Investments Limited	Beneficial owner	37,733,255 ⁽¹⁾	43.60
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest	45,553,255 ⁽²⁾	52.64
Zhongtai International Asset Management Limited	Investment manager	45,553,255 ⁽²⁾	52.64
Zhang Xiaomu	Beneficial owner	14,246,575	16.46

Notes:

- (1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director of the Company.
- (2) The security interest of the 45,553,255 shares of the Company is held by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP), an investment fund managed by Zhongtai International Asset Management Limited.
- (3) The information disclosed is based on the disclosure of interest notices filed by these substantial shareholders of the Company respectively.

* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at 31 December 2022.

Report of the Directors

Save as disclosed above, as at 31 December 2022, there was no other person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

For the year ended 31 December 2022, the Group has the following continuing connected transactions which are exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules:

On 31 May 2022, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and car parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2022. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate annual caps (the "Aggregate Annual Caps") for the New Tenancy Agreements, the consideration for the Tenancy Agreements on an annual basis falls within the threshold prescribed in Rule 14A.76 of the Listing Rules and that the transactions contemplated under the New Tenancy Agreements are conducted on normal commercial terms or better. The transactions contemplated under the New Tenancy Agreements are therefore fully exempt from the reporting, announcement and independent shareholders' approval requirements and shall be subject to annual review requirements under Chapter 14A of the Listing Rules.

The Independent Non-Executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the normal and usual course of the Group's business;
2. on normal commercial terms; and
3. have been carried out in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have reviewed the above continuing connected transactions and provided a letter to the Company confirming that the above continuing connected transactions:

1. have received the approval of the Board;
2. have been entered into in accordance with the relevant agreements governing the transactions; and
3. have not exceeded the Aggregate Annual Caps.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

MAJOR SUPPLIERS

There is no property development project during the year and therefore no purchase payment was paid or payable to suppliers by the Group during the year ended 31 December 2022.

MAJOR CUSTOMER

The Group has no major customers during the year under review.

ENVIRONMENTAL PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of which, are set out in the paragraph headed "Management Discussion and Analysis" on pages 7 to 8.

AUDITORS

The consolidated financial statements have been audited by McMillan Woods (Hong Kong) CPA Limited, who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

Han Junran

Chairman

30 March 2023, Hong Kong

Independent Auditor's Report



To the shareholders of New City Development Group Limited

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of New City Development Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 132, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 (the "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 ("HKSA") 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.

Independent Auditor's Report

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. 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. The key audit matters we have identified are: 1. Fair value of the investment properties – Guangzhou Properties 1; 2. Impairment assessment of the investment properties – Luoyang Properties; 3. Net realisable value of the properties under development – Zhuhai Properties; and 4. Impairment assessment for the deposits and other receivables.

Key Audit Matter

How our audit addressed the Key Audit Matter

Fair value of the investment properties – Guangzhou Properties 1

Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and note 20(a) to the consolidated financial statements for further information.

Included in the carrying amount of the Group's investment properties of approximately HK\$856,025,000 were properties located in Guangzhou (the "Guangzhou Properties 1") of approximately HK\$724,416,000, which were stated at fair value as at 31 December 2022.

For the purpose of assessing the fair value of the Guangzhou Properties 1, the management determined the fair value of the Guangzhou Properties 1 by income approach based on external evidence such as current market rents for similar properties in the same location and condition, and a suitable discount rate in order to calculate the present value. The directors of the Company also engaged an independent professional valuer to assist in assessing the fair value of the Guangzhou Properties 1.

Our procedures in relation to management's assessment of the fair value of the Guangzhou Properties 1 included:

- Assessing the design and implementation of key controls in respect of the valuation of the Guangzhou Properties 1;
- Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used in estimated average rental income on a sample basis;
- Assessing the assumptions used in the valuation of the Guangzhou Properties 1 and recalculating the fair value of Guangzhou Properties 1;
- Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Guangzhou Properties 1 and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of investment properties; and
- Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of the investment properties – Luoyang Properties</i></p>	
<p>Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 20(c) to the consolidated financial statements for further information.</p>	<p>Our procedures in relation to management's assessment of the recoverable amount of the Luoyang Properties included:</p>
<p>Included in the carrying amount of the Group's investment properties of approximately HK\$856,025,000 were properties under development in Luoyang (the "Luoyang Properties") with an amount of approximately HK\$69,931,000 which were stated at cost less accumulated impairment losses, if any, as at 31 December 2022.</p>	<ul style="list-style-type: none"> – Reviewing the correspondences between the government and the Group for the Non-Compliance of the Luoyang Properties;
<p>As detailed in note 20(c) to the consolidated financial statements, the construction of the Luoyang Properties has not been complied (the "Non-Compliance") with a condition of the land use right agreement to commence and complete the construction on or before 1 September 2013 and 1 September 2016, respectively. The directors have sought a legal advice on the Non-Compliance from a lawyer and are of the opinion that the risk for the penalty or the loss on the forfeiture of the land use right is remote.</p>	<ul style="list-style-type: none"> – Discussing with the management on matters leading to the Non-Compliance of the Luoyang Properties and recent status of their future development plan; – Reviewing the legal advice regarding the legal and financial consequence arising from the Non-Compliance of the Luoyang Properties;
<p>For the purpose of assessing the recoverable amount of the Luoyang Properties, the management determined the recoverable amount of the Luoyang Properties by direct comparison method based on market observable transactions of similar properties without any significant adjustments. The management also engaged an independent professional valuer to assist in assessing the valuation and was of the opinion that the recoverable amount of the Luoyang Properties was higher than its carrying amount as at 31 December 2022.</p>	<ul style="list-style-type: none"> – Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; – Assessing the assumptions used in the valuation of the Luoyang Properties and recalculating their recoverable amount; – Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Luoyang Properties and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of investment properties; and – Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Net realisable value of the properties under development – Zhuhai Properties

Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates note 29 to the consolidated financial statements for further information.

The properties located in Zhuhai (the “Zhuhai Properties”) were under development. The directors of the Company are in the opinion that the construction of the Zhuhai Properties has yet been completed as at 31 December 2022, which were stated at net realisable value of approximately HK\$456,399,000.

For the purpose of assessing the net realisable value of the Zhuhai Properties, the management determined the net realisable value of the Zhuhai Properties by direct comparison method based on market observable transactions of similar properties without any significant adjustments. The management also engaged an independent professional valuer to assist in assessing the valuation and significant management judgement is required in determining the net realisable values of Zhuhai Properties.

Based on management's analysis of the net realisable value of Zhuhai Properties, allowance of approximately HK\$70,851,000 was recognised to profit and loss for year ended 31 December 2022.

Our procedures in relation to management's assessment of the net realisable value of the Zhuhai Properties included:

- Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis;
- Assessing the assumptions used in the valuation of the Zhuhai Properties and recalculating their net realisable value;
- Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Zhuhai Properties and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of properties; and
- Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment for the deposits and other receivables</i></p>	
<p>Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and note 27 to the consolidated financial statements for further information.</p> <p>The carrying amount of the Group's deposits and other receivables was approximately HK\$86,932,000 as at 31 December 2022.</p> <p>The recoverability as well as impairment of deposits and other receivables is estimated by the management through the application of judgement and estimation. The Group's policy for recognition of impairment loss for expected credit losses ("ECL") on deposits and other receivables is based on the credit risk of deposits and other receivables. A considerable amount of judgement is required in assessing the recoverability of these deposits and other receivables.</p>	<p>Our procedures in relation to management's assessment of the recoverability of the deposits and other receivables included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of how management estimated the recoverability of deposits and other receivables and evaluating the design, implementation and operating effectiveness of key internal controls over credit control; - Assessing whether there is significant increase in credit risks; - Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements and assessing whether there was an indication of management bias when recognising allowance for deposits and other receivables; - Recalculating the amount of the impairment on deposits and other receivables and assessing the appropriateness and adequacy of the impairment as at 31 December 2022; - Inspecting the settlements after the financial year end relating to the deposits and other receivables as at 31 December 2022; and - Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but did not include 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 DIRECTORS AND AUDIT COMMITTEE 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 Audit Committee are responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee, 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.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Yeung Man Sun

Audit Engagement Director

Practising Certificate Number – P07606

24/F., Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	9	180,190	197,817
Cost of goods sold and services provided		(98,383)	(104,061)
Gross profit		81,807	93,756
Other income	10	9,840	13,261
Other gains and losses	11	(8,061)	(5,798)
Administrative and other operating expenses		(89,358)	(76,558)
Written off of inventories		–	(7,660)
Impairment loss on goodwill	21	–	(141)
Loss on derecognition of financial assets at FVTPL	26(b)	(6,830)	–
Impairment loss on intangible assets	22	(4,648)	–
Impairment losses on deposits and other receivables		(3,091)	(54,580)
Allowance on properties under development	29	(70,851)	–
Loss from operations		(91,192)	(37,720)
Finance costs	12	(33,863)	(31,682)
Loss before tax		(125,055)	(69,402)
Income tax expense	13	(2,728)	(9)
Loss for the year	14	(127,783)	(69,411)
Loss for the year attributable to:			
Owners of the Company		(76,228)	(64,419)
Non-controlling interests		(51,555)	(4,992)
		(127,783)	(69,411)
			(Restated)
Loss per share attributable to owners of the Company (HK cents)			
Basic	17	(88.08)	(74.44)
Diluted	17	(88.08)	(74.44)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Loss for the year	(127,783)	(69,411)
Other comprehensive income for the year, net of tax:		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value on financial assets at fair value through other comprehensive income	(11,452)	2,102
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	(71,126)	9,056
Total comprehensive income for the year	(210,361)	(58,253)
Total comprehensive income for the year attributable to:		
Owners of the Company	(162,235)	(64,216)
Non-controlling interests	(48,126)	5,963
	(210,361)	(58,253)

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	19	89,478	112,894
Investment properties	20	856,025	925,677
Goodwill	21	–	–
Intangible assets	22	11,263	16,969
Right-of-use assets	23	478	974
Investment in an associate	24	–	–
Financial assets at fair value through other comprehensive income ("FVTOCI")	25	18,903	30,355
Prepayments, deposits and other receivables	27	–	119
Deferred tax assets	36	39,723	39,723
		1,015,870	1,126,711
Current assets			
Financial assets at FVTPL	26	24,540	35,987
Prepayments, deposits and other receivables	27	452,756	629,875
Inventories	28	5,429	6,412
Properties under development	29	456,399	478,679
Due from an associate	30	14	14
Due from a related company	30	14	14
Due from non-controlling shareholders	30	1,650	1,923
Cash and bank balances	31	8,608	6,035
		949,410	1,158,939
Current liabilities			
Accruals and other payables	32	41,594	21,625
Deposits received		15,836	16,432
Borrowings	33	65,768	15,149
Lease liabilities	34	511	485
Due to non-controlling shareholders	30	3,091	3,364
Due to related parties	30	37,638	32,922
Due to a director	30	16,238	3,571
Promissory notes	35	5,900	5,434
		186,576	98,982
Net current assets		762,834	1,059,957
Total assets less current liabilities		1,778,704	2,186,668

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Accruals and other payables	32	372,735	377,855
Borrowings	33	664,571	843,039
Lease liabilities	34	15	600
Deferred tax liabilities	36	218,171	231,601
		1,255,492	1,453,095
Net assets			
		523,212	733,573
Equity			
Equity attributable to owners of the Company			
Share capital	37	17,309	17,309
Reserves		526,879	689,114
		544,188	706,423
Non-controlling interests		(20,976)	27,150
		523,212	733,573

Approved and authorised for issue by the Board of Directors of the Company on 30 March 2023 and signed on its behalf by:

Mr. Han Junran
Director

Mr. Luo Min
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Fair value reserve	Foreign currency	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
					translation reserve					
HK\$'000	(note 38 (a)) HK\$'000	(note 38 (b)) HK\$'000	(note 38 (c)) HK\$'000	(note 38 (d)) HK\$'000	(note 38 (e)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	17,309	585,887	4,755	-	(22,138)	18,604	166,222	770,639	21,398	792,037
Acquisition of subsidiaries (note 44(a))	-	-	-	-	-	-	-	-	(211)	(211)
Total comprehensive income for the year	-	-	-	2,102	(1,899)	-	(64,419)	(64,216)	5,963	(58,253)
Changes in equity for the year	-	-	-	2,102	(1,899)	-	(64,419)	(64,216)	5,752	(58,464)
At 31 December 2021 and 1 January 2022	17,309	585,887	4,755	2,102	(24,037)	18,604	101,803	706,423	27,150	733,573
Total comprehensive income for the year	-	-	-	(11,452)	(74,555)	-	(76,228)	(162,235)	(48,126)	(210,361)
At 31 December 2022	17,309	585,887	4,755	(9,350)	(98,592)	18,604	25,575	544,188	(20,976)	523,212

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities		
Loss before tax	(125,055)	(69,402)
Adjustments for:		
Finance costs	33,863	31,682
Interest income	(4,798)	(5,872)
Dividend income	(3,833)	(4,457)
Depreciation of property, plant and equipment	10,856	8,678
Depreciation of right-of-use assets	433	505
Amortisation of intangible assets	1,058	893
Impairment loss on goodwill	–	141
Written off of inventories	–	7,660
Written off of property, plant and equipment	4,348	–
Fair value loss/(gain) on financial assets at FVTPL	2,198	(3,701)
Fair value loss on investment properties	–	12,780
Allowance on properties under development	70,851	–
Impairment losses on deposits and other receivables	3,091	54,580
Impairment loss on intangible assets	4,648	–
Loss on disposals of property, plant and equipment	–	33
Loss on derecognition of financial assets at FVTPL	6,830	–
Operating profit before working capital changes	4,490	33,520
Decrease/(increase) in inventories	983	(6,412)
Increase in properties under development	–	(68,649)
Decrease/(increase) in prepayments, deposits and other receivables	138,675	(223,164)
Decrease/(increase) in amounts due from non-controlling shareholders	273	(841)
Increase/(decrease) in accruals and other payables	17,577	(1,326)
(Decrease)/increase in deposits received	(596)	429
Decrease in amounts due to non-controlling shareholders	(273)	(53)
Increase in amounts due to related parties	4,716	1,650
Increase in amount due to a director	12,667	1,863
Cash generated from/(used in) operations	178,512	(262,983)
Interest on lease liabilities	(42)	(91)
Tax paid	(2,728)	(9)
Net cash from/(used in) operating activities	175,742	(263,083)
Cash flow from investing activities		
Acquisition of subsidiaries	–	(835)
Purchases of property, plant and equipment	(14)	(8,078)
Interest received	99	233
Net cash from/(used in) investing activities	85	(8,680)

44(a)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
<i>Note</i>		
Cash flow from financing activities		
Principal elements of lease payments	(494)	(896)
Borrowings raised	371,680	310,991
Repayment of borrowings	(520,177)	–
Interest paid	(67,053)	(77,667)
Net cash (used in)/from financing activities	(216,044)	232,428
Net decrease in cash and cash equivalents	(40,217)	(39,335)
Effect of foreign exchange rate changes	42,790	1,912
Cash and cash equivalents at beginning of year	6,035	43,458
Cash and cash equivalents at end of year	8,608	6,035
Analysis of cash and cash equivalents		
Cash and bank balances	31 8,608	6,035

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. CORPORATE INFORMATION

New City Development Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liabilities on 10 August 1998. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The principal place of business in Hong Kong is located at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24 May 2000.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 45 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2022, Junyi Investments Limited, a company incorporated in the British Virgin Islands (the “BVI”) is the immediate and ultimate parent of the Company and Mr. Han Junran (“Mr. Han”), a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain investment properties and financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill (Continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are held for use in production or supply of goods or services, or for administrative purposes.

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold building	Over the term of the lease
Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	7–20%
Motor vehicles	20%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(s).

(g) Leases

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(i) *The Group as a lessee (Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(f).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(i) *The Group as a lessee (Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.

Impairment is reviewed annually or when there is any indication that the intangible assets has suffered an impairment loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Cost comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Other payables

Other payables are recognised initially at their fair value and 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.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of retail merchandise is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Taxation (Continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if 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 a parent of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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).
 - (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 a parent of the Group.

(x) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of non-financial assets (Continued)

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(bb) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) *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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Critical judgements in applying accounting policies (Continued)

(b) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(c) *Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of 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.

(a) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were HK\$89,478,000 and HK\$478,000 (2021: HK\$112,894,000 and HK\$974,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was Nil after an impairment loss of HK\$141,000 was recognised in 2021. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

(c) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2022 was HK\$786,094,000 (2021: HK\$850,056,000).

(d) Financial implication of regulations of idle land

Under the People's Republic of China ("PRC") laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land. The directors of the Company have sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the properties in Luoyang was due to the changing of land policy by the Luoyang government in the previous years and the risk for the penalty or the loss on the forfeiture is minimal. Accordingly, no provision in respect of the penalty, if any, has been made in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(e) Fair value of unlisted investments

The unlisted investments of the Group designated as financial assets at FVTOCI have been valued using the market observable data of comparable listed companies adjusted for lack of marketability discount or based on the expected future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. These valuations require the management to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

The aggregated fair value of the unlisted investments at 31 December 2022 was approximately HK\$18,903,000 (2021: HK\$30,355,000).

(f) Impairment of deposits and other receivables

The management of the Group estimates the amount of impairment loss for ECL on deposits and other receivables based on the credit risk of deposits and other receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of deposits and other receivables is approximately HK\$86,932,000 (2021: HK\$169,279,000) (net of allowance for doubtful debts of approximately HK\$85,400,000 (2021: HK\$82,309,000)).

(g) Net realisable value of properties under development

The Group's properties under development are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties under or held for development, and the costs to be incurred in selling the properties based on prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly. In addition, given the volatility of the property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

The carrying amount of properties under development as at 31 December 2022 were HK\$456,399,000 (2021: HK\$478,679,000) (net of allowance on properties under development with approximately HK\$70,851,000 (2021: Nil)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Renminbi ("RMB") or New Taiwan Dollar ("NT\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and NT\$, with all other variables held constant, of the Group's loss before tax.

	Change in exchange rate %	(Increase)/ decrease in loss before tax HK\$'000
At 31 December 2022		
If the HK\$ against RMB	5	3,407
If the HK\$ against RMB	(5)	(3,407)
If the HK\$ against NT\$	5	1,227
If the HK\$ against NT\$	(5)	(1,227)
At 31 December 2021		
If the HK\$ against RMB	5	3,450
If the HK\$ against RMB	(5)	(3,450)
If the HK\$ against NT\$	5	1,458
If the HK\$ against NT\$	(5)	(1,458)

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. Mainly through its equity investment listed on The Taiwan Stock Exchange.

The sensitivity analysis below have been determined based on the exposure to price risk at the end of reporting period.

If equity price had been 10% higher, loss after tax for the year ended 31 December 2022 would decrease by HK\$2,454,000 (2021: HK\$2,916,000). If equity price had been 10% lower, loss after tax for the year ended 31 December 2022 would increase by HK\$2,454,000 (2021: HK\$2,916,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

For deposits and other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the deposits and other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the deposits and other receivables at an amount equal to 12-month ECL.

The following table provides information about the Group's exposure to credit risk and ECL for deposits and other receivables:

At 31 December 2022

	Average expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
Deposits and other receivables	50%	172,332	(85,400)	86,932

At 31 December 2021

	Average expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
Deposits and other receivables	33%	251,588	(82,309)	169,279

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for deposits and other receivables during the year is as follows:

	2022	2021
	HK\$'000	HK\$'000
At 1 January	82,309	27,729
Impairment losses recognised for the year	3,091	54,580
At 31 December	85,400	82,309

Amounts due from an associate, a related company and non-controlling shareholders are closely monitored by the directors. They are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month ECL. The instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(d) Interest rate risk

The Group's promissory notes bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank borrowings. The bank borrowings bear interests at variable rates that vary with the then prevailing market condition.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's loss before tax.

	Change in interest rate	(Increase)/ decrease in loss before tax
		HK\$'000
At 31 December 2022		
If the interest rate increase	1%	(7,303)
If the interest rate decrease	(1%)	7,303
At 31 December 2021		
If the interest rate increase	1%	(8,582)
If the interest rate decrease	(1%)	8,582

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flow is as follows:

31 December 2022

	On demand HK\$'000	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Accruals and other payables	–	41,594	372,735	–	414,329
Borrowings	–	65,768	471,695	192,876	730,339
Lease liabilities	–	523	15	–	538
Promissory notes	–	5,900	–	–	5,900
Due to non-controlling shareholders	3,091	–	–	–	3,091
Due to related parties	37,638	–	–	–	37,638
Due to a director	16,238	–	–	–	16,238

31 December 2021

	On demand HK\$'000	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Accruals and other payables	6,426	15,199	377,855	–	399,480
Borrowings	–	15,149	646,835	196,204	858,188
Lease liabilities	–	519	622	–	1,141
Promissory notes	–	5,900	–	–	5,900
Due to non-controlling shareholders	3,364	–	–	–	3,364
Due to related parties	32,922	–	–	–	32,922
Due to a director	3,571	–	–	–	3,571

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December

	2022 HK\$'000	2021 HK\$'000
Financial assets:		
Financial assets at FVTPL	24,540	35,987
Financial assets at FVTOCI	18,903	30,355
Financial assets at amortised cost	97,218	177,265
Financial liabilities:		
Financial liabilities at amortised cost	1,207,535	1,302,959

(g) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(h) Capital management

The primary objective of the Group's capital management is 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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The externally imposed capital requirements for the Group that in order to maintain its listing on the Stock Exchange is to have a public float of at least 25% of the shares of the Company throughout the year. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(h) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accruals and other payables, borrowings, lease liabilities, amounts due to non-controlling shareholders, related parties and a director and promissory notes less cash and bank balances. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2022	2021
	HK\$'000	HK\$'000
Accruals and other payables	414,329	399,480
Borrowings	730,339	858,188
Lease liabilities	526	1,085
Due to non-controlling shareholders	3,091	3,364
Due to related parties	37,638	32,922
Due to a director	16,238	3,571
Promissory notes	5,900	5,434
Less: Cash and bank balances	(8,608)	(6,035)
Net debt	1,199,453	1,298,009
Total capital:		
Equity attributable to owners of the Company	544,188	706,423
Capital and net debt	1,743,641	2,004,432
Gearing ratio	69%	65%

7. FAIR VALUE MEASUREMENT

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENT (Continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December

Description	Fair value measurements using			Total 2022 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Investment properties				
Commercial properties	-	-	786,094	786,094
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI:				
Long term investment	-	-	18,903	18,903
Financial assets at FVTPL:				
Listed equity securities	24,540	-	-	24,540
Total	24,540	-	804,997	829,537

Description	Fair value measurements using			Total 2021 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Investment properties				
Commercial properties	-	-	850,056	850,056
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI:				
Long term investment	-	-	30,355	30,355
Financial assets at FVTPL:				
Listed equity securities	29,157	-	-	29,157
Put option	-	-	6,830	6,830
Total	29,157	-	887,241	916,398

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENT (Continued)

(b) Reconciliation of assets measured at fair value based on level 3

	Investment properties HK\$'000	Long term investment HK\$'000	Put option HK\$'000	Total HK\$'000
1 January 2022	850,056	30,355	6,830	887,241
Total gains or losses recognised				
in profit or loss	–	–	(6,830)	(6,830)
in other comprehensive income	–	(11,452)	–	(11,452)
Exchange differences	(63,962)	–	–	(63,962)
31 December 2022	786,094	18,903	–	804,997
	Investment properties HK\$'000	Long term investment HK\$'000	Put option HK\$'000	Total HK\$'000
1 January 2021	774,735	28,253	3,129	806,117
Acquisition of a subsidiary	66,442	–	–	66,442
Total gains or losses recognised				
in profit or loss	(12,780)	–	3,701	(9,079)
in other comprehensive income	–	2,102	–	2,102
Exchange differences	21,659	–	–	21,659
31 December 2021	850,056	30,355	6,830	887,241

The total gains or losses recognised in profit or loss are presented in other gains and losses in the consolidated statement of profit or loss.

The total gains recognised in other comprehensive income are presented in changes in fair value of financial assets at fair value through other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENT (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 (Continued)

The valuation techniques and the key unobservable input to the Level 3 fair value measurements are set out below:

Description	Fair value HK\$'000	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	724,416 (2021: 783,360)	Income approach	Estimated average rental income (per square metre and per month) RMB72.00 (2021: RMB72.00)	The higher the rental income, the higher the fair value
			Discount rate at 4.50% (2021: 4.50%)	The higher the discount rate, the lower the fair value
Investment properties	61,678 (2021: 66,696)	Direct comparison	Adjusted market value (RMB7,583–12,000 per square metre) (2021: RMB7,583–12,000 per square metre)	The higher the market unit rate, the higher the fair value
Long term investment	18,903 (2021: 30,355)	Discounted cash flow method	Discount rate at 14% (2021: 14%)	The higher the discount rate, the lower the fair value
Put option	Nil (2021: 6,830)	Black Scholes Model	Risk-free rate at Nil (2021: 2.2%)	The higher the risk-free rate, the lower the fair value
			Standard deviation at Nil (2021: 40%)	The higher the standard deviation, the higher the fair value

There were no changes in the valuation techniques used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. OPERATING SEGMENT INFORMATION

The Group is engaged in property development and investment in PRC, operation of supermarket retail and trading of buses. Accordingly, there are two reportable segments to be presented.

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

The accounting policies of the operating segments are the same as those accounting policies of the Group described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated other income, other gains and losses, administrative and other operating expenses, impairment losses on deposits and other receivables, written off inventories, impairment loss on goodwill and finance costs. Segment assets do not include unallocated property, plant and equipment, intangible assets, right-of-use assets, financial assets at FVTOCI, deferred tax assets, financial assets at FVTPL, prepayments, deposits and other receivables, amounts due from an associate, a related company and non-controlling shareholders, and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, finance lease payables, lease liabilities, amounts due to non-controlling shareholders, related parties and a director, promissory notes and deferred tax liabilities.

Information about reportable segment profit or loss, assets and liabilities

	Property development and investment HK\$'000	Operation of supermarket retail HK\$'000	Total HK\$'000
Year ended 31 December 2022			
Revenue from external customers	59,318	120,872	180,190
Segment profit	47,391	34,416	81,807
As at 31 December 2022			
Segment assets	1,216,707	101,145	1,317,852
Segment liabilities	731,636	36,098	767,734
	Property development and investment HK\$'000	Operation of supermarket retail HK\$'000	Total HK\$'000
Year ended 31 December 2021			
Revenue from external customers	61,368	136,449	197,817
Segment profit	55,022	38,734	93,756
As at 31 December 2021			
Segment assets	1,338,278	72,490	1,410,768
Segment liabilities	586,998	68,291	655,289

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. OPERATING SEGMENT INFORMATION (Continued)

Reconciliations of segment revenue and profit or loss

	2022 HK\$'000	2021 HK\$'000
Profit or loss		
Total profit of reportable segments	81,807	93,756
Other income	9,840	13,261
Other gains and losses	(8,061)	(5,798)
Administrative and other operating expenses	(89,358)	(76,558)
Impairment losses on deposits and other receivables	(3,091)	(54,580)
Written off of inventories	-	(7,660)
Impairment loss on goodwill	-	(141)
Impairment loss on intangible assets	(4,648)	-
Loss on derecognition of financial assets at FVTPL	(6,830)	-
Finance costs	(33,863)	(31,682)
Allowance on property under development	(70,851)	-
Consolidated loss before tax	(125,055)	(69,402)

Reconciliations of segment assets or liabilities

	2022 HK\$'000	2021 HK\$'000
Assets		
Total assets of reportable segments	1,317,853	1,410,768
Property, plant and equipment	89,478	112,894
Intangible assets	11,263	16,969
Right-of-use assets	478	974
Financial assets at FVTOCI	18,903	30,355
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	24,540	35,987
Prepayments, deposits and other receivables	452,756	629,994
Due from an associate	14	14
Due from a related company	14	14
Due from non-controlling shareholders	1,650	1,923
Cash and bank balances	8,608	6,035
Consolidated total assets	1,965,280	2,285,650
Liabilities		
Total liabilities of reportable segments	15,836	16,432
Accruals and other payables	414,329	399,480
Borrowings	730,339	858,188
Lease liabilities	526	1,085
Due to non-controlling shareholders	3,091	3,364
Due to related parties	37,638	32,922
Due to a director	16,238	3,571
Promissory notes	5,900	5,434
Deferred tax liabilities	218,171	231,601
Consolidated total liabilities	1,442,068	1,552,077

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers were solely derived from PRC.

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investment in an associate, financial assets at FVTOCI, prepayments, deposits and other receivables and deferred tax assets) are located in PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Revenue from major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2022 (2021: Nil).

9. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Products transferred at a point in time:		
Sales from operation of supermarket retail in the PRC	120,872	136,449
Revenue from other sources:		
Rental income	32,527	32,508
Related management service income	26,791	28,860
	180,190	197,817

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For the year ended 31 December 2022

10. OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
Dividend income	3,833	4,457
Interest income	4,798	5,872
Other income	980	2,932
Government grants (<i>note</i>)	229	–
	9,840	13,261

Note: Being the grants received from the COVID-19 Anti-epidemic Fund under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region of the PRC and the Government of the PRC for the year ended 31 December 2022.

11. OTHER GAINS AND LOSSES

	2022	2021
	HK\$'000	HK\$'000
Net foreign exchange (loss)/gain	(5,863)	3,281
Fair value loss on investment properties	–	(12,780)
Fair value (loss)/gain on financial assets at FVTPL	(2,198)	3,701
	(8,061)	(5,798)

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For the year ended 31 December 2022

12. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank borrowings	67,053	77,667
Interest on lease liabilities	42	91
Interest on promissory notes	466	1,279
Total borrowing costs	67,561	79,037
Amounts capitalised in the cost of qualifying assets	(33,698)	(47,355)
	33,863	31,682

The weighted average capitalization rate on funds borrowed generally is at a rate of 6.47% per annum (2021: 8.08%).

13. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2022 HK\$'000	2021 HK\$'000
Current tax – PRC Enterprise Income Tax		
Under-provision in prior years	2,728	9

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the years ended 31 December 2022 and 2021.

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%).

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For the year ended 31 December 2022

13. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Group and its subsidiaries are domiciled to the tax expense at effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to effective tax rates, is as follows:

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	(125,055)	(69,402)
Tax at applicable tax rates	(28,264)	(12,606)
Tax effect of income that is not taxable	(3,560)	(4,200)
Tax effect of expenses that are not deductible	6,419	7,611
Tax effect of temporary differences not recognised	22,689	(672)
Tax effect of tax losses not recognised	2,716	9,867
Under-provision in prior years	2,728	9
Income tax expense	2,728	9

14. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2022	2021
	HK\$'000	HK\$'000
Auditor's remuneration	880	804
Cost of goods sold and services provided	98,383	104,061
Depreciation of property, plant and equipment	10,856	8,678
Depreciation of right-of-use assets	433	505
Amortisation of intangible assets	1,058	893
Loss on disposal of property, plant and equipment	–	33
Written off of property, plant and equipment	4,348	–
Short-term lease payments	17,583	8,539
Staff cost (including directors' remuneration)		
– Salaries, bonuses and allowances	22,670	21,973
– Contributions to defined contribution retirement plan	545	384
	23,215	22,357

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For the year ended 31 December 2022

15. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Sections 383(1)(a), (b), (c), (e) 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:

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance are as follows:

	2022 HK\$'000	2021 HK\$'000
Fees	1,440	1,440
Other emoluments		
salaries, wages and other benefits	2,544	2,340
contributions to defined contribution retirement plan	20	36
	2,564	2,376
	4,004	3,816

31 December 2022

	Fees HK\$'000	Salaries and allowance HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Executive directors				
Mr. Han Junran ("Mr. Han")	–	1,400	2	1,402
Mr. Luo Min	–	1,144	18	1,162
	–	2,544	20	2,564
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	240	–	–	240
Dr. Ouyang Qingru	240	–	–	240
Mr. Leung Kwai Wah, Alex	240	–	–	240
Mr. Zhang Jing	240	–	–	240
Mr. Wong Pak Wing	240	–	–	240
Mr. Luo Zhen	240	–	–	240
	1,440	–	–	1,440
	1,440	2,544	20	4,004

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For the year ended 31 December 2022

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

31 December 2021

	Fees HK\$'000	Salaries and allowance HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Executive directors				
Mr. Han Junran	–	1,300	18	1,318
Mr. Luo Min	–	1,040	18	1,058
	–	2,340	36	2,376
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	240	–	–	240
Dr. Ouyang Qingru	240	–	–	240
Mr. Leung Kwai Wah, Alex	240	–	–	240
Mr. Zhang Jing	240	–	–	240
Mr. Wong Pak Wing	240	–	–	240
Mr. Luo Zhen	240	–	–	240
	1,440	–	–	1,440
	1,440	2,340	36	3,816

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2021: Nil).

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries.

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For the year ended 31 December 2022

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The number of directors, whose remuneration fell within the following bands, is as follows:

	2022	2021
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	2	2
	8	8

(b) Directors' material interests in transactions, arrangements or contracts

Save for disclosed in note 41 to the consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 15 above. Details of the remuneration of the remaining three (2021: three) non-director, highest paid employees for the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	2,444	2,293
Pension scheme contributions	54	45
	2,498	2,338

During the year, no emoluments have been paid to these individuals as an inducement to join or upon joining the Group; or as compensation for loss of office (2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-directors, highest paid employees, whose remuneration fell within the following bands, is as follows:

	2022	2021
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1
	3	3

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	2022	2021
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	(76,228)	(64,419)
	Number of shares	
	2022	2021
		(Restated)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	86,543,290	86,543,290

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of shares on 8 April 2022.

No diluted loss per share is presented as there were no potentially dilutive ordinary shares in issue as at 31 December 2022 and 2021.

18. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2022 (2021: Nil).

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For the year ended 31 December 2022

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2021	1,058	73,826	1,784	3,378	80,046
Additions	–	–	61,908	1,297	63,205
Acquisition of a subsidiary	–	–	373	–	373
Disposals	–	–	(5)	(70)	(75)
Exchange differences	13	1,950	25	(41)	1,947
At 31 December 2021 and 1 January 2022	1,071	75,776	64,085	4,564	145,496
Additions	–	–	14	–	14
Written off	–	(4,831)	–	–	(4,831)
Exchange differences	(80)	(5,471)	(4,768)	(187)	(10,506)
At 31 December 2022	991	65,474	59,331	4,377	130,173
Accumulated depreciation					
At 1 January 2021	304	19,120	1,772	2,401	23,597
Charge for the year	700	179	6,459	1,340	8,678
Disposals	–	–	–	(42)	(42)
Exchange differences	(35)	465	(18)	(43)	369
At 31 December 2021 and 1 January 2022	969	19,764	8,213	3,656	32,602
Charge for the year	97	4,644	5,761	354	10,856
Written off	–	(483)	–	–	(483)
Exchange differences	(75)	(1,474)	(576)	(155)	(2,280)
At 31 December 2022	991	22,451	13,398	3,855	40,695
Carrying amount					
At 31 December 2022	–	43,023	45,933	522	89,478
At 31 December 2021	102	56,012	55,872	908	112,894

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20. INVESTMENT PROPERTIES

	Properties at fair value		Properties at cost		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Completed project						
Investment properties in Guangzhou (notes (a) and (b))						
At 1 January	850,056	774,735	-	-	850,056	774,735
Acquisition of a subsidiary	-	66,442	-	-	-	66,442
Fair value losses	-	(12,780)	-	-	-	(12,780)
Exchange differences	(63,962)	21,659	-	-	(63,962)	21,659
At 31 December	786,094	850,056	-	-	786,094	850,056
Incomplete project						
Investment properties in Luoyang (note (c))						
At 1 January	-	-	75,621	73,638	75,621	73,638
Exchange differences	-	-	(5,690)	1,983	(5,690)	1,983
At 31 December	-	-	69,931	75,621	69,931	75,621
Total carrying amount at 31 December	786,094	850,056	69,931	75,621	856,025	925,677

Notes:

- (a) Investment properties in Guangzhou (the "Guangzhou Properties 1") are situated at Nos. 20–22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties 1 were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties 1 has been assessed by Ravia Global Appraisal Advisory Limited ("Ravia Global"), an independent valuer, by using the income approach to be RMB640,000,000 (equivalent to approximately HK\$724,416,000) (2021: RMB640,000,000 (equivalent to approximately HK\$783,360,000)) as at 31 December 2022.

At 31 December 2022, the Guangzhou Properties 1 with carrying amount of approximately HK\$724,416,000 (2021: HK\$783,360,000) were pledged to secure bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

- (b) Investment properties in Guangzhou (the "Guangzhou Properties 2") are situated at Nos. 186–256 Niuzhaichengheng Road, Xintang Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties 2 were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties 2 has been assessed by Ravia Global, an independent valuer, by using the direct comparison approach to be RMB54,490,000 (equivalent to approximately HK\$61,678,000) (2021: RMB54,490,000 (equivalent to approximately HK\$66,696,000)) as at 31 December 2022.

At 31 December 2022, the Guangzhou Properties 2 with carrying amount of approximately HK\$61,678,000 (2021: HK\$66,696,000) were pledged to secure bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

- (c) Investment properties in Luoyang (the “Luoyang Properties”) represented the construction in progress of a parcel of land which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC. The Luoyang Properties were acquired through the acquisition of the subsidiaries during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square metres which can be developed into a total gross floor area of 173,724.12 square metres. Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of approximately RMB61,782,000 (equivalent to HK\$69,931,000 (2021: HK\$75,621,000)), and less impairment, if any.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the “Land Use Right Agreement”) of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) (“Luoyang Wan Heng”), a subsidiary of the Company and 洛陽國土資源局 (“洛陽國土局”) on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the “Construction Period”), respectively. A penalty (the “Penalty”) is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK\$35,395,000 (2021: HK\$38,290,000)), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “Forfeiture”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a 閒置土地調查通知書 (the “Notice of Investigation of Idle Land”) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局.

On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. The Group expected to commence work at the end of 2017.

On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“洛陽規劃局”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018.

In preparing these consolidated financial statements, the directors of the Company had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the continued changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties, the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 31 December 2022 and 2021.

At 31 December 2022, the Luoyang Properties with carrying amount of approximately HK\$69,931,000 (2021: HK\$75,621,000) were pledged to secure bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

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20. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(c) (Continued)

Impairment assessment of the Luoyang Properties

The recoverable amount of the Luoyang Properties has been assessed by Ravia Global, as at 31 December 2022 and 2021. The recoverable amount is assessed based on fair value less costs of disposal by using direct comparison approach under level 3 fair value measurement. The key assumptions are accommodation value and discount of bulk purchasing and location difference of both lands. No impairment in respect of the Luoyang Properties has been provided as the recoverable amount of the Luoyang Properties was higher than its carrying amount as at 31 December 2022 (2021: Nil).

21. GOODWILL

	2022 HK\$'000	2021 HK\$'000
Cost		
Arising on acquisition of a subsidiary (note 44(a)) and at 31 December	141	141
Accumulated impairment losses		
Impairment loss recognised in the current year and at 31 December	141	141
Carrying amount		
At 31 December	-	-

Goodwill acquired in a business combination is allocated, at acquisition, to the building management business cash generating units (the "Building Management CGU") that are expected to benefit from that business combination.

The recoverable amount of the Building Management CGU has been determined by value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The calculations was reviewed by an independent valuer, Ravia Global.

The key assumptions for the discounted cash flow method are those regarding the average annual growth rate of revenue, discount rate, and terminal growth rate during the year. The Group estimates the average annual growth rate of revenue of 3% based on past performance and its expectations of market development in which the businesses of the CGU operate. Discount rate of 14% is based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

At 31 December 2021, before impairment testing, goodwill of approximately HK\$141,000 was allocated to the Building Management CGU. Due to The impairment is mainly a result of the challenging market environment which was further accelerated by the adverse effect brought by COVID-19 leading to the significant decrease in occupancy rate of properties held by the Group during the year, the recoverable amount of the Building Management CGU has been reduced to Nil and an impairment loss on goodwill of approximately HK\$141,000 was recognised during the year ended 31 December 2021.

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22. INTANGIBLE ASSETS

	Intellectual property rights HK\$'000
Cost	
At 1 January 2021	34,643
Exchange of assets (<i>note</i>)	(14,548)
At 31 December 2021, 1 January 2022 and 31 December 2022	20,095
Accumulated amortisation and impairment losses	
At 1 January 2021	2,233
Amortisation for the year	893
At 31 December 2021 and 1 January 2022	3,126
Amortisation for the year	1,058
Impairment loss for the year	4,648
At 31 December 2022	8,832
Carrying amount	
At 31 December 2022	11,263
At 31 December 2021	16,969

The royalties represents the exclusive license of certain intellectual properties rights and the operation of a chain supermarket in the PRC under the brand name of 益百家 (the "YBJ") for 20 years.

The remaining amortisation period of the royalties are 17 years (2021: 18 years).

Note:

The Group has taken into account the COVID-19 issues and has further modify the way on how the scope of business under the original licensing right to operate the supermarket chain be transferred to another inter-group company with sublicensing of business be allowed whereas there would be lesser amount of working capital input requirement at the outlet compared to the original licensing arrangement that would further optimize the cash flow input of the operating company with different level of performance benchmark be assured by various sublicenses.

The re-arrangement has been concluded with the licensors and also with an extension of a further 10-year operating rights that would be treat as an exchange of different operating rights under the original intangible assets with different types of operating rights bundled under the intangible assets of operating the a chain supermarket in the PRC under the brand name of YBJ.

Notes to the Consolidated Financial Statements

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22. INTANGIBLE ASSETS (Continued)

Impairment assessment of the intellectual properties rights

The Group carried out reviews of the recoverable amount of the intellectual properties rights during the year ended 31 December 2022, having regarded to the market conditions and business plan of the Group on supermarket operation. The recoverable amount of the intellectual properties rights has been assessed by Ravia Global, as at 31 December 2022 and 2021. The recoverable amount is assessed based on fair value less costs of disposal by using income approach under level 3 fair value measurement. The key assumptions are expected revenue and discount rate and the discount rate is 15.07% (2021: 12.5%). Impairment loss of the intellectual properties rights of approximately HK\$4,648,000 was recognised as the recoverable amount of the intellectual properties rights was lower than its carrying amount as at 31 December 2022 (2021: Nil).

23. RIGHT-OF-USE ASSETS

	2022	2021
	HK\$'000	HK\$'000
At 1 January	974	889
Additions	–	571
Depreciation	(433)	(505)
Exchange differences	(63)	19
	478	974
	2022	2021
	HK\$'000	HK\$'000
Depreciation	433	505
Interest expense on lease liabilities	42	91
Expenses relating to short-term lease	17,583	8,539

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 7 years.

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24. INVESTMENT IN AN ASSOCIATE

	2022 HK\$'000	2021 HK\$'000
Unlisted investment:		
Share of net assets	–	–

Details of the Group's associate is as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
New City Fortune Medicare Group Limited ("New City Fortune Medicare") (note)	Hong Kong	HK\$100	34% (2021: 34%)	Investment holding

Note: New City Fortune Medicare was incorporated in Hong Kong on 26 September 2014, with issued share capital of HK\$100. The investment cost in an associate has been presented as "–" as a result of rounding as at 31 December 2022 and 2021. Except for the capital commitment as mentioned in note 43 to the consolidated financial statements, the associate did not have any material assets and liabilities as at 31 December 2022 and 2021 and therefore, the Group did not share its net assets during the years ended 31 December 2022 and 2021.

25. FINANCIAL ASSETS AT FVTOCI

	2022 HK\$'000	2021 HK\$'000
Unlisted equity investments (note (a))	–	–
Financial assets at FVTOCI (note (b))	18,903	30,355
	18,903	30,355

Notes:

- (a) The above investments represented 8% equity interest in New City (China) Vocational Education Investments Group Limited ("New City (China)"), with investment cost of HK\$8. The investments have been presented as "–" as a result of rounding. The directors of the Company are of the opinion that the cost was the best estimate of fair value for the unlisted equity investments with reference to the application guidance of HKFRS 9.
- (b) The amount represents the long term investments in particular to hold a license of property management intellectual properties.

The fair value of the financial assets designated at financial assets at FVTOCI is approximately HK\$18,903,000 (2021: HK\$30,355,000) as at 31 December 2022. The fair value of the financial assets designated at financial assets at FVTOCI has been assessed by Ravia Global by using the discounted cash flow method (Level 3 fair value measurement) as at 31 December 2022. The carrying amount of the financial assets at FVTOCI are denominated in RMB.

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26. FINANCIAL ASSETS AT FVTPL

	2022 HK\$'000	2021 HK\$'000
Listed equity investment in Taiwan (note (a))	24,540	29,157
Put Option classified at financial assets at FVTPL (note (b))	-	6,830
Current portion	24,540	35,987

Notes:

- (a) The fair value of the listed equity investment as at 31 December 2022 and 2021 was determined based on the quoted market bid prices (Level 1 fair value measurement) available on The Taiwan Stock Exchange.
- (b) The fair value of the Put Option classified at financial assets at FVTPL is approximately HK\$6,830,000 as at 31 December 2021. The fair value of the Put Option designated at financial assets at FVTPL has been assessed by Ravia Global by using the Black Scholes Model (Level 3 fair value measurement) as at 31 December 2021.

During the year ended 31 December 2022, the Put Option classified as financial assets as FVTPL was derecognised due to termination of the terms, hence there is a loss on derecognition of financial assets at FVTPL of approximately HK\$6,830,000 was recognised in profit and loss during the year.

The carrying amounts of the Group's financial assets at FVTPL are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
NT\$	24,540	29,157
RMB	-	6,830
	24,540	35,987

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For the year ended 31 December 2022

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments		
– Prepaid for the Luoyang Properties (note (a))	7,135	7,709
– Prepaid for the Zhuhai Properties (note (b))	323,547	443,470
– Others	35,142	9,536
Deposits held by		
– Others (note (c))	21,107	21,027
Other receivables		
– Due from 北京中証房地產開發有限公司 (“北京中証”) (note (d))	68,134	68,994
– Others (note (e))	83,091	161,567
	538,156	712,303
Less: Loss allowance for deposits and other receivables	(85,400)	(82,309)
	452,756	629,994
Less: Non-current portion	–	(119)
Current portion	452,756	629,875

Notes:

(a) As at 31 December 2022, an aggregate amount of approximately RMB6,304,000 (equivalent to approximately HK\$7,135,000) (2021: RMB6,298,000 (equivalent to approximately HK\$7,709,000)) has been prepaid by the Group to the construction of Luoyang Properties.

(b) As at 31 December 2022, an aggregate amount of approximately RMB285,844,000 (equivalent to approximately HK\$323,547,000) (2021: RMB362,312,000 (equivalent to approximately HK\$443,470,000)) has been prepaid by the Group to the construction of Zhuhai Properties.

During the year, some of the prepayment was transferred to properties under development.

(c) Deposits of HK\$20,000,000 has been paid to 新澳中世紀國際貿易(北京)有限公司 as escrow monies for the due diligence exercise on the exploration of project investment opportunity in the near future.

Notes to the Consolidated Financial Statements

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (d) The amount represented outstanding receivables from 北京中証, a former subsidiary of the Company which was disposed of in 2010 as a result of the following sequence of events.

The Company received a civil summons dated 15 May 2014 from the Higher People's Court of Beijing City (the "Higher Court"), pursuant to which, an application for retrial of a civil court case (the "Litigation") had been filed by 上海復旦光華信息科技股份有限公司 ("上海復旦"). The Litigation was stemmed from a series of civil court proceedings commenced by 上海復旦 in Beijing No. 1 Intermediate People's Court and the other courts in the PRC since 2003 which alleged that 北京中証 had failed to perform its obligation under a sale contract dated 27 June 2002 entered into between 北京中証 and 上海復旦 for selling certain real properties (the "Properties Transactions") in the PRC to 上海復旦 at a consideration of approximately US\$1,755,000 (equivalent to approximately HK\$13,749,000) (the "Allegation"). The Company became one of defendants as 上海復旦 claimed that Mr. Leung Kwo (梁戈) ("Mr. Leung"), a former director and chairman of the Company, entered into a guarantee agreement (the "Guarantee Agreement") with 上海復旦 on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee 上海復旦 that 北京中証 should perform its obligation under the Properties Transactions.

In view of the Litigation, the directors of the Company have conducted extensive investigations, in which the directors have (i) inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to identify if the Allegation has ever been brought to the attention of the directors; (ii) contacted the key management personnel of 北京中証 for ascertaining the merits of the Allegation; (iii) discussed in their meeting to determine the financial impact of the Litigation and the Allegation; and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the "Lawyers") in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the directors and they did not approve and sign the Guarantee Agreement; and (ii) 北京中証 was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation.

On 29 July 2015, the Company received, through the Lawyer, the judgment dated 14 May 2015 (the "Judgment") granted by the Higher Court in respect of the Litigation, pursuant to which, the Higher Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People's Court. The Higher Court ruled that both the Properties Transactions and the Guarantee Agreement were legally effective. The Higher Court also ordered that both the Company and 北京中証 shall be jointly liable to repay to 上海復旦 the sum of RMB14,530,000 (equivalent to approximately HK\$16,447,000 (2021: HK\$17,785,000)) together with interest accrued thereon from 1 July 2002 up to the date of payment (collectively, the "Judgment Debt") (which was preliminarily estimated by the directors to be approximately RMB27,660,000 (equivalent to approximately HK\$31,308,000 (2021: HK\$33,856,000))).

On 30 November 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Zhu Ya Yong (朱亞勇) (the "Subscriber"), pursuant to which, the Subscriber agreed to negotiate with 上海復旦 for the entering into a debt settlement agreement between the Company, 上海復旦 and the Subscriber. It was intended that upon the completion of the debt settlement agreement, (i) the Company's obligation to repay the Judgment Debt will be assumed or satisfied by the Subscriber; and (ii) the Company will be indebted to the Subscriber for a sum of HK\$33,606,830 which will be satisfied by way of the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share.

Subsequently, 北京德隆悅泰投資有限公司 ("北京德隆"), a related company of the Subscriber was nominated by the Subscriber for the negotiation with 上海復旦 and reached a settlement of the Judgment Debt at an aggregate amount of RMB27,000,000 (equivalent to approximately HK\$30,561,000 (2021: HK\$33,048,000)). Accordingly, the Company entered into a debt settlement agreement (執行和解協議) (the "Debt Settlement Agreement") with 上海復旦 and 北京德隆 on 9 December 2015, pursuant to which, the amount of the Judgment Debt was agreed at RMB27,000,000 (equivalent to approximately HK\$30,561,000 (2021: HK\$33,048,000)) which is interest-free, guaranteed and secured by a property of 北京德隆 (the "Yi Long Property") and (i) as to RMB3,000,000 (equivalent to approximately HK\$3,396,000 (2021: HK\$3,672,000)) payable at the date of signing of the Debt Settlement Agreement; and (ii) the remaining balance of RMB24,000,000 (equivalent to approximately HK\$27,166,000 (2021: HK\$29,376,000)) repayable by 4 quarterly installments on 31 March, 30 June, 30 September and 31 December 2016, respectively.

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) (Continued)

On 30 December 2015, the Company further entered into an agreement (關於執行和解協議之四方協議) (the "Four Parties Agreement") with the Subscriber, 北京億隆 and 北京創意金典投資諮詢服務有限公司 ("北京創意"), a company controlled by the Subscriber, pursuant to which, (i) the Subscriber undertakes the settlement of the Judgement Debt for the Company; (ii) 北京億隆 pledges the Yi Long Property to 上海復旦 as security against the Judgement Debt; and (iii) 北京創意 pays on behalf of the Subscriber RMB3,000,000 (equivalent to approximately HK\$3,396,000 (2021: HK\$3,672,000)) of the Judgement Debt. The directors are of the opinion that upon the entering of the Four Parties Agreement, the Company's obligation to repay the Judgement Debt has been assumed or satisfied by the Subscriber and therefore, the Company was indebted to the Subscriber in the sum of HK\$33,606,830 which was satisfied by the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share under the Subscription Agreement on 30 December 2015.

In view of the Litigation, the directors have taken appropriate actions to negotiate with 北京中証 for recovery of the Judgement Debt.

On 7 March 2016, the Company entered into an agreement (關於支付承諾款項之三方協議) (the "Debt Recovery Agreement") with 北京中証, pursuant to which, 北京中証 agreed to fully repay the Judgement Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed fee of RMB5,000,000 (equivalent to approximately HK\$5,660,000 (2021: HK\$6,120,000)) as compensation (collectively, the "Recoverable Debt"). The Recoverable Debt shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司 ("北京桑普"), an independent third party.

On 5 February 2021, the Company entered in to a supplementary agreement (債務重組框架協議) (the "Debt Recovery Framework Agreement") with 北京中証 to further extend the settlement date of Recoverable Debt on or before 4 February 2023 by 北京中証.

The carrying amount was fully provided in loss allowance for deposits and other receivables.

(e) Included in the other receivables, there were:

Approximately HK\$20,000,000 has been paid for the project development for the "New Life, New Day, New City" theme concept. The amount would be refundable if the project does not proceed.

Approximately HK\$1,000,000 been paid to Mr. Ho as advances. Mr. Ho is the non-controlling shareholder of 廣州優暢商業管理有限公司 ("廣州優暢"), a subsidiary acquired by the Group in 2021. 廣州優暢 also owed certain amount to Mr. Ho, which was incurred before the acquisition by the Group. Due to the advance, 廣州優暢 could delay the payment due to Mr. Ho. The above amount may be offset the amount due to Mr. Ho by 廣州優暢, subject to future arrangement with Mr. Ho.

Approximately HK\$11,000,000 preference share dividend receivable from Sino Treasure International Development Limited.

Approximately HK\$30,000,000 has been paid for the renovation of 暢流 project. The amount would be refundable if the project does not proceed.

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28. INVENTORIES

	2022	2021
	HK\$'000	HK\$'000
Retail merchandise	5,429	6,412

Due to the continuous adverse effect of COVID-19 pandemic, there is severe uncertainty of the realisability on the value of inventories. As at 31 December 2022 and 2021, all the inventories were stated at cost.

29. PROPERTIES UNDER DEVELOPMENT

	2022	2021
	HK\$'000	HK\$'000
At 1 January	478,679	401,264
Additions	82,784	68,649
Allowance on properties under development	(70,851)	–
Exchange differences	(34,213)	8,766
At 31 December	456,399	478,679

Net realisable value of the Zhuhai Properties

Properties under development represented properties in Zhuhai (the “Zhuhai Properties”) which construction in progress of a parcel of land which are situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province the PRC. The Zhuhai Properties were acquired through the acquisition of a subsidiary during the year ended 31 December 2019. The Zhuhai Properties comprise a parcel of land held under medium term leases with a site area of 11,956.46 square metres under State-owned Land Use Rights Certificate (國有土地使用證). Its carrying amount comprised the land use right and directly attributable costs and was stated at cost, and less impairment, if any. The directors are of the opinion that the construction of the Zhuhai Properties has yet been completed as at 31 December 2022.

The net realisable value of the Zhuhai Properties has been assessed by Ravia Global as at 31 December 2022 and 2021. The allowance for loss of the Zhuhai Properties of approximately HK\$70,851,000 was recognised during the year. As at 31 December 2022, the net realisable value of the Zhuhai Properties was lower than its cost (2021: Nil).

The Zhuhai Properties were pledged to secure bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. AMOUNTS DUE FROM/TO AN ASSOCIATE, A RELATED COMPANY, NON-CONTROLLING SHAREHOLDERS, RELATED PARTIES AND A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

Amount due from a related company disclosed pursuant to section 383(1)(d) to the Hong Kong Companies Ordinance is as follows:

	Maximum outstanding balance during the year	2022	2021
	HK\$'000	HK\$'000	HK\$'000
New City (China)	14	14	14

Mr. Han, a director and the ultimate controlling party of the Company was also a director of New City (China).

31. CASH AND BANK BALANCES

At the end of reporting period, cash and bank balances of the Group are denominated in the following currencies:

	2022	2021
	HK\$'000	HK\$'000
HK\$	941	1,364
USD	1,950	1,106
NT\$	282	184
RMB	5,435	3,381
	8,608	6,035

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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For the year ended 31 December 2022

32. ACCRUALS AND OTHER PAYABLES

	2022	2021
	HK\$'000	HK\$'000
Accrued expenses	10,284	6,268
Due to a former shareholder of Guangdong Changliu	5,773	6,426
Due to shareholders of Zhuhai Teng Shun	278,174	258,741
Other payables	120,098	128,045
	414,329	399,480
Less: Non-current portion	(372,735)	(377,855)
Current portion	41,594	21,625

33. BORROWINGS

	Effective	Year of	2022	2021
	interest rates	maturity	HK\$'000	HK\$'000
Bank loan 1 (note (a))	8.085%	2030	–	309,552
Bank loan 2 (note (b))	7.153%	2025	417,595	512,774
Bank loan 3 (note (c))	6.300%	2028	32,033	35,862
Bank loan 4 (note (d))	6.500%	2034	280,711	–
			730,339	858,188
Analysed into:				
Repayable:				
– Within one year or on demand			65,768	15,149
– In the second to fifth years, inclusive			471,695	646,835
– Over five years			192,876	196,204
Total			730,339	858,188
Less: Non-current portion			(664,571)	(843,039)
Current portion			65,768	15,149

Notes to the Consolidated Financial Statements

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33. BORROWINGS (Continued)

Notes:

(a) On 20 June 2018, Guangdong Changliu entered into a loan agreement with China Zheshang Bank Co., Ltd. ("CZBANK"), pursuant to which, CZBANK agreed to grant a loan (the "CZBANK Loan") in the amount of RMB280,000,000 (equivalent to HK\$316,932,000 (2021: HK\$342,860,000)) to Guangdong Changliu for a term of 12 years, which is secured by legal charges over the Guangzhou Properties 1 and personal guarantee provided by Mr. Han. The CZBANK Loan bears interest at 8.085%, 165% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a quarterly basis. The principal amount of the CZBANK Loan is repayable by 48 instalments starting from 20 September 2019 and will mature on 7 May 2030. The loan was fully settled and replaced by the new loan (d) during the year.

(b) On 9 October 2020, Zhuhai Teng Shun entered into a loan agreement with Bank of Guangzhou Co., Ltd. ("GZBANK"), pursuant to which, GZBANK agreed to grant a loan (the "GZBANK Loan") in the amount of RMB98,932,000 (equivalent to HK\$117,918,000) and RMB80,000,000 (equivalent to HK\$95,352,000) on 12 November 2020 and 8 December 2020 respectively to Zhuhai Teng Shun for a term of 5 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun and Luoyang Wan Heng, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) ("Guangdong Changyang") and non-controlling shareholders, personal guarantee provided by Mr. Han and a legal representative of a subsidiary and a key management personnel of a related company. The GZBANK Loan bears interest rate from 7.0332% to 7.153%, 365% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a monthly basis. The principal amount of the GZBANK Loan is repayable by instalments starting from 24th month from the first withdrawal date or the 6th month after the project obtains the first time pre-sale certificate, which is earlier, and will mature on 12 November 2025.

On 20 February 2021, subject to the terms of the above mentioned loan agreement with GZBANK, GZBANK granted a further loan in the amount of RMB80,000,000 (equivalent to HK\$97,960,000) to Zhuhai Teng Shun for a term of 49 months. The principal amount of the GZBANK Loan is repayable once on the maturity date and will mature on 20 March 2025.

On 20 May 2021, subject to the terms of the above mentioned loan agreement with GZBANK, GZBANK granted a further loan in the amount of RMB160,000,000 (equivalent to approximately HK\$195,920,000) to Zhuhai Teng Shun for a term of 48 months. The principal amount of the GZBANK Loan is repayable once on the maturity date and will mature on 19 May 2025.

(c) On 19 June 2021, Guangdong Chang Yang entered into a loan agreement with Guangzhou Rural Commercial Bank ("GZRCBANK"), pursuant to which, GZRCBANK agreed to grant a loan (the "GZRCBANK Loan") in the amount of RMB36,000,000 (equivalent to HK\$40,748,400 (2021: HK\$44,082,000)) to Guangdong Changyang for a term of 84 months, which is secured by legal charges over the Guangzhou Properties 2, legal charges over the 100% equity interests in 廣州優暢, a 80%-owned subsidiary of Guangdong Changyang, and guarantee provided by Guangdong Changliu, 廣州優暢, 廣州市聯瑋物業管理有限公司 ("廣州聯瑋"), a 80%-owned subsidiary of Guangdong Changyang, and personal guarantee provided by Mr. Han. The GZRCBANK Loan bears interest at 6.300%, 135% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a monthly basis. The principal amount of the GZRCBANK Loan is repayable by 84 instalments starting from 19 June 2021 and will mature on 18 June 2028.

(d) On 21 June 2022, Guangdong Chang Liu entered into a loan agreement with Guangzhou Rural Commercial Bank ("GZRCBANK"), and GZRCBANK agreed to grant a loan (the "GZRCBANK Loan") in the amount of RMB320,000,000 (equivalent to HK\$371,680,000 (2021: Nil)) to Guangdong Chang Liu for a period of 12 years. The loan is secured by the property of Guangdong Chang Liu and personally guaranteed by Mr. Han. Interest on the loan is calculated at 155 basis points, based on the 5-year loan prime rate of the last business day prior to the signing of the contract by the last signatory, which is repayable on a quarterly basis. The principal amount of the GZRCBANK Loan is repayable in instalments starting from the first loan received and will mature on 20 June 2034.

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34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Within one year	523	519	511	485
In the second to fifth years, inclusive	15	622	15	600
	538	1,141	526	1,085
Less: Future finance charges	(12)	(56)	N/A	N/A
Present value of lease obligations	526	1,085	526	1,085
Less: Amount due for settlement within 12 months (shown under current liabilities)			(511)	(485)
Amount due for settlement after 12 months			15	600
All lease liabilities are denominated in the following currencies.				
			2022 HK\$'000	2021 HK\$'000
HK\$			30	74
RMB			496	1,011
			526	1,085

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% (2021: 4.75%).

Notes to the Consolidated Financial Statements

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35. PROMISSORY NOTES

As at 31 December 2019, the Group had issued promissory notes to an independent third party to acquire a subsidiary, China Goal Inc., with an aggregated principal value of HK\$23,800,000, which included three promissory notes of the respective amounts of HK\$12,000,000 ("P-Note-1"), HK\$5,900,000 ("P-Note-2") and HK\$5,900,000 ("P-Note-3"). The promissory notes were interest free and are due for repayments ranging from 10 months to 34 months from respective date of issuance.

On initial recognition, the fair value of promissory notes issued by the Group were determined based on the present value of the contractual stream of future cash flows discounted at rates ranging from 17.47% to 17.67% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

On 30 June 2020, P-Note-1 with the principal amount of HK\$12,000,000 has been settled.

On 30 June 2021, P-Note-2 with the principal amount of HK\$5,900,000 has been settled.

On 30 June 2022, P-Note-3 with the principal amount of Hk\$5,900,000 has been extended to 30 June 2023.

	2022	2021
	HK\$'000	HK\$'000
At 1 January	5,434	10,055
Imputed interest charged	466	1,279
Settlement	-	(5,900)
	5,900	5,434

The promissory notes are repayable as follows:

	2022	2021
	HK\$'000	HK\$'000
Within one year	5,900	5,434

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities	Fair value changes on the investment properties HK\$'000	Fair value changes on the intangible assets HK\$'000	Fair value adjustment on initial recognition of long term other payable HK\$'000	Total HK\$'000
At 1 January 2021	218,063	3,073	5,748	226,884
Exchange differences	4,717	–	–	4,717
At 31 December 2021 and 1 January 2022	222,780	3,073	5,748	231,601
Exchange differences	(13,430)	–	–	(13,430)
At 31 December 2022	209,350	3,073	5,748	218,171
Deferred tax assets				Tax losses HK\$'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022				39,723

Notes:

- (a) At the end of the reporting period the Group has unused tax losses of approximately HK\$79,641,000 (2021: HK\$47,624,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB64,646,000 (equivalent to HK\$79,638,000) (2021: RMB37,081,000 (equivalent to HK\$47,621,000)) that will expire in five years from the year they originate. Other tax losses may be carried forward indefinitely.
- (b) At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB32,085,000 (equivalent to HK\$35,924,000) (2021: RMB36,567,000 (equivalent to HK\$43,817,000)). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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For the year ended 31 December 2022

37. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021, 1 January 2022	10,000,000,000	40,000
Share consolidation (<i>note</i>)	(9,800,000,000)	–
	200,000,000	40,000
Ordinary shares of HK\$0.20 each		
At 31 December 2022	200,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 and 1 January 2022	4,327,164,504	17,309
Share consolidation (<i>note</i>)	(4,240,621,214)	–
Ordinary shares of HK\$0.20 each		
At 31 December 2022	86,543,290	17,309

Note:

Share consolidation

Pursuant to the extraordinary general meeting of the Company passed on 6 April 2022 became effective on 8 April 2022, which every fifty (50) issued and unissued shares of par value of HK\$0.004 each of the Company be consolidated into one (1) consolidated share of par value of HK\$0.20 in the capital of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Nature and purpose of reserves

(a) *Share premium*

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) *Contributed surplus*

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation.

(c) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of financial assets at FTVOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(l) to the consolidated financial statements.

(d) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(e) *Statutory reserve*

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) 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		
Investments in subsidiaries	86,001	86,001
Current assets		
Financial assets at FVTPL	24,540	29,157
Prepayments, deposits and other receivables	83,462	90,185
Due from subsidiaries	287,190	285,137
Cash and bank balances	2,351	1,907
	397,543	406,386
Current liabilities		
Accruals and other payables	5,807	4,119
Due to subsidiaries	87,236	91,254
Due to a director	16,238	3,571
	109,281	98,944
Net current assets	288,262	307,442
Net assets	374,263	393,443
Equity		
Share capital	17,309	17,309
Reserves (note 39(b))	356,954	376,134
Total equity	374,263	393,443

Approved and authorised for issue by the Board of Directors on 30 March 2023.

Mr. Han Junran

Director

Mr. Luo Min

Director

Notes to the Consolidated Financial Statements

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39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(b) Reserves movement of the Company

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021	585,887	306,450	(507,019)	385,318
Loss and total comprehensive income for the year	–	–	(9,184)	(9,184)
At 31 December 2021 and 1 January 2022	585,887	306,450	(516,203)	376,134
Loss and total comprehensive income for the year	–	–	(19,180)	(19,180)
At 31 December 2022	585,887	306,450	(535,383)	356,954

40. CONTINGENT LIABILITIES

Save as those disclosed in note 20 (c) to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

41. RELATED PARTY TRANSACTIONS

(a) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related/connecting companies during the year:

	2022 HK\$'000	2021 HK\$'000
Rental expenses paid to related/connecting companies	16	1,115

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	2022 HK\$'000	2021 HK\$'000
Fees	1,440	1,440
Other emoluments		
Salaries, wages and other benefits	4,727	4,633
contributions to defined contribution retirement plan	69	81
	4,796	4,714
	6,236	6,154

Further details of directors' and the chief executive's emoluments are set out in notes 15 and 16 to the consolidated financial statements.

42. OPERATING LEASE COMMITMENTS

(a) As lessor

Operating leases relate to investment property owned by the Group with lease terms of 1 to 10 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Within first year	17,929	19,388
In the second year	13,433	14,526
In the third year	9,031	9,766
In the fourth year	3,985	4,310
In the fifth year	2,347	2,538
After five years	3,235	3,499
	49,960	54,027

(b) As lessee

The portfolio of short-term leases for certain of its offices which are regularly entered into by the Group during the years ended 31 December 2022 and 2021. As at 31 December 2022, the outstanding lease commitments is approximately HK\$382,000 (2021: HK\$1,285,000).

Notes to the Consolidated Financial Statements

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43. OTHER COMMITMENTS

In addition to the operating lease commitments, the Group had the following commitments at the end of the reporting period:

Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the "Partner"), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited ("NC Fortune Medicare") was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the "Shanghai Subsidiary") for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to HK\$1,132,000 (2021: HK\$1,224,000)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. Approving these consolidated financial statements, none of the RMB340,000 (equivalent to HK\$385,000 (2021: HK\$416,000)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

In September 2021, the Group acquired 80% and 80% of the issued share capital of 廣州優暢 and 廣州聯瑋 for a total consideration of RMB800,000 (equivalent to HK\$979,000) and RMB1 (equivalent to HK\$1), respectively. 廣州優暢 and 廣州聯瑋 were engaged in property investment business and provision of building management services during the year respectively. The acquisition was made as part of the Group's strategy to expand its property investment business, expand its business segment and generate diversified income in the PRC.

Notes to the Consolidated Financial Statements

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44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Acquisition of subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of 廣州優暢 and 廣州聯瑋 acquired as at the date of acquisition are as follows:

	廣州優暢 HK\$'000	廣州聯瑋 HK\$'000	Total HK\$'000
Net assets acquired:			
Investment properties	66,442	–	66,442
Property, plant and equipment	–	373	373
Prepayment, deposits and other receivables	3,773	1,074	4,847
Cash and bank balances	4	140	144
Accruals and other payables	(2,553)	(1,762)	(4,315)
Amount due to a former shareholder	(66,442)	–	(66,442)
	1,224	(175)	1,049
Non-controlling interests	(245)	34	(211)
Goodwill	–	141	141
	979	–	979
Satisfied by:			
Cash	979	–	979
Net cash outflow arising on acquisition:			
Cash consideration paid			979
Cash and cash equivalents acquired			(144)
			835

廣州優暢 and 廣州聯瑋 contributed approximately HK\$345,000 and HK\$1,370,000 to the Group's revenue for the year respectively for the period between the date of acquisition and the end of the reporting period. 廣州優暢 and 廣州聯瑋 contributed approximately HK\$273,000 and HK\$481,000 to the Group's loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2021, total Group revenue for the year from continuing operations would have been approximately HK\$199,023,000, and loss for the year from continuing operations would have been approximately HK\$69,890,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for lease

Amounts included in the cash flow statements for lease comprise the following:

	2022	2021
	HK\$'000	HK\$'000
Within operating cash flows	17,583	8,539
Within financing cash flows	494	896
	18,077	9,435

These amounts related to the following:

	2022	2021
	HK\$'000	HK\$'000
Lease rental paid	18,077	9,435

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44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table set forth below is the detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Promissory notes	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	529,336	10,055	1,393	540,784
Cash flow	233,324	–	(987)	232,337
Commencement of lease agreement	–	–	571	571
Settlement	–	(5,900)	–	(5,900)
Interest expenses	77,667	1,279	–	78,946
Interest on lease liabilities	–	–	91	91
Exchange differences	17,861	–	17	17,878
At 31 December 2021 and 1 January 2022	858,188	5,434	1,085	864,707
Cash flow	(215,550)	–	(536)	(216,086)
Commencement of lease agreement				
Interest expenses	67,053	466	–	67,519
Interest on lease liabilities	–	–	42	42
Exchange differences	20,648	–	(65)	20,583
At 31 December 2022	730,339	5,900	526	736,765

(d) Major non-cash transaction

During the year, the Group had non-cash additions to property, plant and equipment of HK\$Nil (2021: HK\$55,521,000) in respect of the transfer of the balance from deposits recognised in prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest		Principal activities and place of operation
			Direct	Indirect	
New City Aviation Investment Holdings Limited	Hong Kong	HK\$100	100%	–	Investment holding, Hong Kong
New City Cultural Investment Holdings Limited	Hong Kong	HK\$100	100%	–	Investment holding, Hong Kong
Perfection King Limited	Hong Kong	HK\$1	100%	–	Investment holding, Hong Kong
New Rank Services Limited	Hong Kong	HK\$2	–	100%	General management, Hong Kong
Brilliant Centre Limited	Hong Kong	HK\$1	–	100%	Inactive, Hong Kong
Fudi International Holding Co., Limited	Hong Kong	HK\$10,000	–	100%	Investment holding, Hong Kong
Novel Apex Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding, Hong Kong
New City Bus Investment Limited	Hong Kong	HK\$100	–	100%	Sales of buses, Hong Kong
Faith Onward (Hong Kong) Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding, Hong Kong
Guangdong Changliu (note (a))	PRC	RMB40,000,000	–	100%	Property development and investment, PRC
信誠(洛陽)酒店物業管理有限公司 (note (b))	PRC	RMB2,000,000	–	90%	Investment holding, PRC
Luoyang Wan Heng (note (c))	PRC	RMB8,000,000	–	90%	Property development and investment, PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest		Principal activities and place of operation
			Direct	Indirect	
Guangdong Changyang (note (d))	PRC	RMB10,000,000	–	70%	Investment holding, PRC
廣州暢影影視製作有限公司 (note (e))	PRC	RMB3,000,000	–	60%	Property development and investment, PRC
Zhuhai Teng Shun (note (e))	PRC	RMB3,000,000	–	55%	Property development, PRC
China Goal Inc.	BVI	US\$100	–	70%	Property management, PRC
Peaceful Kingdom Inc.	BVI	US\$100	–	51%	Supermarket business, PRC

Notes:

- (a) This subsidiary is registered as a limited liability company (foreign joint venture) under the PRC Law.
- (b) This subsidiary is registered as a limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture) under the PRC Law.
- (c) This subsidiary is registered as a limited liability company (foreign-invested enterprise sole investment) under the PRC Law.
- (d) This subsidiary is registered as a limited liability company (foreign-invested enterprise investment) under the PRC Law.
- (e) These subsidiaries are registered as other limited liability company under the PRC Law.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. PRINCIPAL SUBSIDIARIES (Continued)

The following table shows information on the subsidiaries that has non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Zhuhai Teng Shun		Luoyang Wan Heng	
	2022	2021	2022	2021
Principal place of business/country of incorporation	PRC/PRC		PRC/PRC	
% of ownership interests/voting rights held by non-controlling interests	45%/45%	45%/45%	10%/10%	10%/10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December				
Non-current assets	–	–	76,944	62,293
Current assets	800,989	943,753	298	49
Current liabilities	(1,119)	(272)	(16,785)	(41,450)
Non-current liabilities	(856,078)	(927,899)	(68,823)	(22,911)
Net (liabilities)/assets	(56,208)	15,582	(8,366)	(2,019)
Accumulated non-controlling interests	(25,294)	7,012	(837)	(202)
Year ended 31 December				
Revenue	–	–	–	–
Loss for the year	(72,464)	(17,424)	(6,241)	(1,935)
Loss allocated to non-controlling interests	(32,609)	(7,841)	(624)	(194)
Net cash from/(used in) operating activities	16,441	(607)	(224)	560
Net cash used in investing activities	–	–	–	(297)
Net cash (used in)/from financing activities	(16,773)	–	250	(324)
Net (decrease)/increase in cash and cash equivalents	(332)	(607)	26	(61)

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 30 March 2023.

Five-Year Financial Summary

31 December 2022

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
REVENUE	180,190	197,817	46,794	48,494	91,764
GROSS PROFIT	81,807	93,756	43,834	41,150	39,983
(LOSS)/PROFIT BEFORE TAX	(125,055)	(69,402)	(33,777)	(3,628)	28,005
INCOME TAX EXPENSE	(2,728)	(9)	(11)	(111)	(14,294)
(LOSS)/PROFIT FOR THE YEAR	(127,783)	(69,411)	(33,788)	(3,739)	13,711
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company	(76,228)	(64,419)	(27,950)	(1,075)	13,753
Non-controlling interests	(51,555)	(4,992)	(5,838)	(2,664)	(42)
	(127,783)	(69,411)	(33,788)	(3,739)	13,711

ASSETS AND LIABILITIES

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
TOTAL ASSETS	1,965,280	2,285,650	1,932,582	1,559,348	1,261,431
TOTAL LIABILITIES	(1,442,068)	(1,552,077)	(1,140,545)	(817,736)	(572,225)
NON-CONTROLLING INTERESTS	20,976	(27,150)	(21,398)	(26,845)	197
	544,188	706,423	770,639	714,767	689,403