中國城市基礎設施集團有限公司

China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2349

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo
(Chairman and Chief Executive Officer)
Mr. Ji Jiaming
Mr. Ye Tianfang
(Chief Executive Officer)
(resigned on 25 July 2022)

Non-executive Director

Mr. Zhang Guiqing

Independent non-executive Directors

Mr. Ng Chi Ho, Dennis
Mr. Kwok Kin Wa
Ms. Kwong Mei Wan, Cally

AUDIT COMMITTEE

Mr. Ng Chi Ho, Dennis *(Committee Chairman)*
Mr. Kwok Kin Wa
Ms. Kwong Mei Wan, Cally

REMUNERATION COMMITTEE

Mr. Kwok Kin Wa *(Committee Chairman)*
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally

NOMINATION COMMITTEE

Mr. Kwok Kin Wa *(Committee Chairman)*
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally

COMPANY SECRETARY

Mr. Chan Hoi Yin Anthony

AUTHORISED REPRESENTATIVES

Mr. Li Chao Bo
(Chairman and Chief Executive Officer)
Mr. Chan Hoi Yin Anthony

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

WEBSITE

www.city-infrastructure.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
No. 78 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
No. 99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
Level 10, HSBC Main Building
No. 1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors, I am pleased to present the annual results of China City Infrastructure Group Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2022.

Facing the challenges of numerous unexpected factors such as the accelerated evolution of global landscape, resurgence of the COVID-19 pandemic over the world and increased economic downward pressure, the Group actively responded to these difficulties including reduce operating cost, optimise our capital structure and business portfolio in order to continuously improve our financial position. Looking forward to 2023, the Group will develop with prudence and actively seek potential development opportunities, including real estate business, infrastructure and renewable energy business.

We will strive to capture investment opportunities prudently and optimise the Group's capital structure and business portfolio in a bid to maximise shareholders' interests. Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their support, and also to all staff members for their devotion and perseverance.

Li Chao Bo
Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business and started to dedicate to the infrastructure business since late 2014. In order to devote more resources to meet the strategic direction of the Group's business, the Group may sell the whole or a portion of Group's property portfolio depending on the market and market value of the property portfolio. In support of further business development of the Group, the management is actively looking for the potential projects which is compatible with the Group's principal activities.

RESULT SUMMARY

The consolidated revenue (including discontinued operation) of the Group decreased by 12.6% from approximately HK$75.1 million for the year ended 31 December 2021 to approximately HK$65.6 million for the year ended 31 December 2022. The revenues from property development, property investment, and property management business were approximately HK$10.6 million, HK$36.8 million and HK$18.2 million respectively.

The overall gross profit (including discontinued operation) decreased by 19.0% to approximately HK$33.2 million in 2022 from approximately HK$41.0 million in 2021, and the gross profit margin decreased to 50.7% in 2022 from 54.6% in 2021. The Group also had net fair value loss on revaluation of various investment properties of approximately HK$3.9 million for the year ended 31 December 2022.

The loss attributable to owners of the Company (including discontinued operation) was approximately HK$114.2 million for the year ended 31 December 2022 (2021: approximately HK$167.1 million). Basic loss per share attributable to owners of the Company was HK3.65 cents (2021: HK5.34 cents). The Board does not propose any final dividend for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Property Development Business

During the year ended 31 December 2022, the Group's revenue from property development business amounted to approximately HK$10.6 million, representing revenue generated from the sales of 32 carparks of Future Mansion located in Wuhan. There was no revenue from property development business for the year ended 31 December 2021.

The Property Investment Business

Wuhan Future City Commercial Property Management Company Limited was formed by the Group to operate the Future City Shopping Centre ("Future City") owned by the Group. Future City is located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou station of metro line No. 2. The total leasable area of Future City is approximately 55,029 sq.m. with carparks included. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks. Future City now becomes a fashionable, dynamic and international shopping centre to cater for the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers. As at 31 December 2022, the occupancy rate of Future City was 89.4% (31 December 2021: 95.0%).

The Group completed the acquisition of the entire issued share capital of Precious Palace Enterprises Limited ("Precious Palace") on 19 July 2019 for a total consideration of approximately HK$795 million. Fengzhen Industrial Development (Shenzhen) Co. Limited, a company established in the PRC and an indirect wholly owned subsidiary of Precious Palace, held properties located in Longgang, Shenzhen, the PRC. The properties comprise property complex with land area of 14,971.1 sq.m. and total gross floor area of 36,875.72 sq.m. ("Longgang Properties). On 9 March 2022, Green City Development Limited (the "Vendor"), a wholly owned subsidiary of the Company, as the vendor entered into a memorandum of understanding with Sky Climber Development Limited as the purchaser (the "Purchaser"), in relation to a possible transfer back of 100% equity interests of Precious Palace. The Purchaser is the holder of (i) convertible bonds with outstanding principal amount of HK$431,500,000 issued by the Company to the Purchaser (the "Convertible Bonds"); and (ii) the promissory note with outstanding principal amount of HK$53,500,000 issued by the Company to the Purchaser (the "Promissory Note"). The Convertible Bonds and the Promissory Note were due in July 2022. On 25 April 2022, the Group entered into a sales and purchase agreement with the Purchaser to dispose of the entire issued share capital of Precious Palace at a total consideration of HK$840,000,000. The disposal was completed on 15 July 2022. Details of the disposal were set out in the Company's announcements dated 25 April 2022.

During the year ended 31 December 2022, the Group has transferred total gross floor area of Future Mansion's caparks of 7,723.06 sq.m. from inventory of properties to investment properties. As at 31 December 2022, the fair value of the caparks is appropriately HK$19.1 million.

As at 31 December 2022, the aggregate fair value of the Future City and Future Mansion's caparks held by the Group was approximately HK$1,121.4 million (31 December 2021: approximately HK$1,175.6 million). During the year ended 31 December 2022, the rental income generated from the investment properties was approximately HK$36.8 million (2021: approximately HK$39.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The Property Management Business

Wuhan Future City Property Management Company Limited and Wuhan Chengji Commodity City Management Company Limited, the indirect wholly owned subsidiaries of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the year ended 31 December 2022, the revenue from property management was approximately HK$18.2 million (2021: approximately HK$24.7 million).

The Hotel Business

The COVID-19 pandemic has affected the tourism industry and the hotel industry. The revenue has been significantly decreased since 2020. During the year ended 31 December 2022, the Group decided to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in its other segments. The hotel business segment was thus classified as discontinued operation. Details of the discontinued operation are set out in Note 12 to the consolidated financial statements.

GROUP PROJECTS

Wuhan City, Hubei

Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou stations of metro line No. 2. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces.

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of 42,149 sq.m..

Zhongshui • Longyang Plaza

Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Hanyang Station of metro line No. 3. This integrated complex has been developed for splendorous shopping mall and luxurious office apartments with planned GFA of 135,173 sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

Longgang, Shenzhen

Longgang Properties

Longgang Properties comprise property complex located in Shenzhen, the PRC, with land area of 14,971 sq.m. and total gross floor area of 36,876 sq.m.. The construction of the Longgang Properties have been completed and comprise (1) Huajiang Building with a total gross floor area of 3,786 sq.m. was used for rental purpose; (2) Meizhou Building with a total gross floor area of 12,249 sq.m. of which approximately 9,785 sq.m. was used for rental purpose and approximately 2,464 sq.m. was vacant; and (3) two factory premises and two staff quarters with a total gross floor area of 20,841 sq.m. were used for rental purpose. On 25 April 2022, the Group entered into a sales and purchase agreement with the Purchaser to dispose of the entire issued share capital of Precious Palace at a total consideration of HK$840 million. The disposal was completed on 15 July 2022. Details of the disposal were set out in the Company's announcements dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

The following table set forth an overview of the Group's property projects at 31 December 2022:

Project	City	Equity Interest in the Project	Site Area	Total GFA/ Planned GFA
			sq.m.	*sq.m.*
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Subtotal			55,668	322,595

FINANCIAL REVIEW

Continuing Operations

Revenue

Revenue from continuing operations of the Group for the year ended 31 December 2022 (the "Current Year") increased to approximately HK$65.6 million from approximately HK$64.3 (as restated) million, an increase of approximately 2.0% compared with that of last year.

The revenue from property development, property investment and property management business increased from Nil for the year ended 31 December 2021 to approximately HK$10.6 million for the Current Year, decreased from approximately HK$39.7 million for the year ended 31 December 2021 to approximately HK$36.8 million for the Current Year and decreased from approximately HK$24.7 million for the year ended 31 December 2021 to approximately HK$18.2 million for the Current Year, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The cost of sales from continuing operations increased from approximately HK$21.5 million (as restated) for the year ended 31 December 2021 to approximately HK$32.4 million for the Current Year.

For the Current Year, the Group's cost of sales from continuing operations included cost of sale in respect of property development business of approximately HK$8.3 million, an increase of approximately HK$8.3 million as there was no sales revenue generated for the year ended 31 December 2021, property management business of approximately HK$13.3 million, a decrease of approximately HK$1.5 million compared with that of the year ended 31 December 2021, property investment business of approximately HK$10.8 million, an increase of approximately HK$1.1 million with that of the year ended 31 December 2021.

Gross Profit and Gross Profit Margin

The gross profit from continuing operations decreased by approximately HK$9.7 million from approximately HK$42.9 million (as restated) for the year ended 31 December 2021 to approximately HK$33.2 million for the Current Year, which was mainly due to a decrease in gross profit from property investment business (2022: HK$27.5 million; 2021: HK$32.1 million) and property management business (2022: HK$3.4 million; 2021: HK$10.7 million). The Group has an overall gross profit margin from continuing operations of 50.7% for the Current Year, as compared to that of 66.6% (as restated) for the year ended 31 December 2021. The decrease of gross profit margin was mainly attributable to the decrease of property management business.

Other Operating Income

Other operating income from continuing operations decreased to approximately HK$4.6 million for the Current Year from approximately HK$7.9 million (as restated) for the year ended 31 December 2021. The decrease was primarily due to the wavier of director salaries payable of approximately HK$3.9 million during the year ended 31 December 2021.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately HK$6.9 million for the Current Year from approximately HK$1.9 million (as restated) for the year ended 31 December 2021. The increase was primarily due to the impairment loss of inventory of properties, right-of-use assets and property, plant and equipment of approximately HK$2.2 million, HK$1.8 million and HK$0.5 million respectively made in the Currant Year.

Change in Fair Value of the Investment Properties

There was a loss of approximately HK$3.9 million recorded in the Current Year (2021: HK$76.5 million) arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations decreased by approximately 69.57% to approximately HK$0.7 million for the Current Year from approximately HK$2.3 million (as restated) for the year ended 31 December 2021, primarily due to a decrease in advertising and promotion and commission expenses for property investment business.

Administrative Expenses

The administrative expenses from continuing operations decreased by approximately 27.1% to approximately HK$36.4 million for the Current Year from approximately HK$49.9 million (as restated) for the year ended 31 December 2021, primarily due to the decrease in legal and professional fee and staff costs.

Finance Costs

The finance costs from continuing operations decreased to approximately HK$75.4 million for the Current Year from that of approximately HK$95.9 million (as restated) for the year ended 31 December 2021. The decrease was primarily due to the decrease in effective interest expenses on convertible note of approximately HK$13.4 million.

Income Tax (Expense)/Credit

The Group recorded income tax expense from continuing operations of approximately HK$16.9 million for the Current Year (2021: income tax credit of approximately HK$19.1 million). The decrease in income tax credit was primarily attributable to the decrease in deferred tax credit resulting from the decrease in the fair value loss of investment properties.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company decreased from approximately HK$167.1 million for the year ended 31 December 2021 to that of approximately HK$114.2 million for the Current Year.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2022, total bank balances and cash of the Group amounted to approximately HK$17.1 million (31 December 2021: approximately HK$17.4 million), representing a decreased of approximately HK$0.3 million as compared to that as at 31 December 2021. All of the pledged bank deposit has been uplifted for the Current year (31 December 2021: approximately HK$100.6 million), representing a decreased of approximately HK$100.6 million compared to that as at 31 December 2021.

Borrowings and Charges on the Group's Assets

At 31 December 2022, the Group's total borrowings included bank loans, other loans, convertible notes and promissory notes, in which bank loans and other loans amounted to approximately HK$367.7 million (31 December 2021: approximately HK$613.5 million), no liability component of convertible note and promissory note (31 December 2021: approximately HK$416.4 million and HK$53.2 million respectively). Amongst the borrowings, approximately HK$30.7 million (31 December 2021: approximately HK$142.6 million) is repayable within one year and approximately HK$337.0 million (31 December 2021: approximately HK$470.9 million) is repayable after one year.

At 31 December 2022, certain investment properties and bank deposit with an aggregate amounts of approximately HK$342.7 million (2021: approximately HK$1,576.2 million) were pledged as security for certain banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing and Current Ratios

The gearing ratio was approximately 44.2% as at 31 December 2022 (31 December 2021: approximately 95.1%). The gearing ratio was measured by net debt (aggregated borrowings, convertible note and promissory note net of bank balances and cash and pledged bank deposit) over the equity attributable to owners of the Company. The decrease in gearing ratio was mainly due to an decrease in convertible note, promissory note and borrowings of approximately HK$416.4 million, HK$53.2 million and HK$245.9 million respectively. The current ratio (current assets divided by current liabilities) was 1.77 (31 December 2021: 0.45).

CONTINGENT LIABILITIES AND COMMITMENTS

(a) As at 31 December 2022 and 2021, the Group had no significant contingent liabilities.

(b) As at 31 December 2022 and 2021, the Group had no capital commitments, contracted but not provided in the consolidated financial statements.

ACQUISITIONS AND DISPOSALS

On 25 April 2022, the Group entered into a sale and purchase agreement with Sky Climber Development Limited to dispose of 100% equity interest in Precious Palace Enterprises Limited and its subsidiaries at a total consideration of approximately HK$840 million. The disposal was completed on 15 July 2022.

Save for the above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the Current Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the total number of employees stood at approximately 141. Total staff costs for the year was approximately HK$24.1 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

OUTLOOK AND FUTURE PLAN

Looking into 2023, the Company is committed to steady recovery and restoring stable business performance. In light of China's easing of its COVID-19 restrictions, the effects of the novel coronavirus pandemic is expected to ease off gradually in 2022. The Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the shareholders. The management is actively looking for the potential projects which is compatible with the Group's principal activities including infrastructure related business.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MR. LI CHAO BO ("MR. LI")

– Chairman and Executive Director

Mr. Li, aged 48, was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016 and was appointed as the Chief Executive Officer on 25 July 2022 and is currently a director and the sole beneficial owner of Linkway Investment Holdings Limited. Linkway Investment Holdings Limited is a company incorporated in the British Virgin Islands with limited liabilities. Mr. Li is currently a chairman of the number of the investment and property investment development company which is registered in the PRC. Mr. Li currently holds a master degree from Hong Kong Baptist University and a degree from Central South University. Mr. Li is experienced in brand operation, property development and financial investment.

The register of substantial shareholders maintained under section 336 of the SFO show that at 31 December 2022, Linkway Investment Holdings Limited holds 728,912,000 issued Shares of the Company (each a "Share"), representing approximately 23.30% of the total issued share capital of the Company.

MR. JI JIAMING ("MR. JI")

– Executive Director

Mr. Ji, aged 61, holds a master's degree in business administration from Capital University of Economics and Business# and is a senior economist. Mr. Ji has worked in construction, property and infrastructure construction industries for many years and has extensive experience in enterprise management, strategy formulation and engineering management. Mr. Ji served as the board chairman of China Construction First Building Development Corporation#, the general manager of China Architecture First Building (Group) Corporation Limited#, the board chairman of China Construction Municipal Construction Corporation Limited# before May 2012. From June 2012 until December 2014, Mr. Ji was an executive director and vice-chairman of Kaisa Group Holdings Ltd. (stock code: 1638), the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ji was the board chairman of China Economic International New Technology Corporation Limited# on June 2015. Mr. Ji was appointed as the Executive Director of the Company with effect from 21 July 2017.

MR. YE TIANFANG ("MR. YE")

– Executive Director and Chief Executive Officer

Mr. Ye, aged 57, holds a Master degree of Management from Wuhan University of Technology and Executive Master of Business Administration (EMBA) degree from the Cheung Kong Graduate School of Business (長江商學院). Prior to joining the Company, Mr. Ye has worked and held senior management positions at China Construction Bank, China Minsheng Bank, and Tsinghua Tus-Holdings Co., Ltd. respectively. Mr. Ye has extensive management practice experience in the real estate and financial fields. Mr. Ye has been appointed as the Executive Director and Chief Executive Officer of the Company with effect from 17 December 2019.

Mr. Ye has resigned as Executive Director and Chief Executive Officer on 25 July 2022.

The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MR. ZHANG GUIQING ("MR. ZHANG")

– Non-executive Director

Mr. Zhang, aged 60, holds a Bachelor's degree in Engineering with a major in material studies from Central South Institute of Mining and Metallurgy (currently known as Central South University). Mr. Zhang has worked in real estate and construction industry for many years and has extensive experience in enterprise management and engineering management. Mr. Zhang served as Vice President of Beijing Dongfang Hongming Real Estate Development Limited# from May 1999 to May 2008. From May 2008 until June 2010, Mr. Zhang was an executive director of Sanya Hongli Orient Holdings Limited#. Mr. Zhang was appointed as the Non-executive Director of the Company with effect from 16 August 2017.

MR. NG CHI HO, DENNIS ("MR. NG")

– Independent Non-executive Director

Mr. Ng, aged 64, was appointed as Independent Non-executive Director on 16 March 2017. Mr. Ng holds a Bachelor of Commerce degree from The University of New South Wales, Australia and is a chartered accountant of The Chartered Accountants Australia and New Zealand and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a practising certified public accountant and has extensive experience in auditing, accounting, financial management and corporate affairs. Mr. Ng is currently an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075). He was a non-executive director of My Heart Bodilbra Group Limited (stock code: 8297) from December 2018 to April 2019, an independent non-executive director for each of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited) (stock code: 8226) from June 2014 to May 2015, Kirin Group Holdings Limited (stock code: 8109) from April 2015 to December 2021, and Legendary Group Limited (stock code: 8195) from June 2019 to November 2022. Mr. Ng was also the company secretary of Celebrate International Holdings Limited (stock code: 8212) from July 2014 to February 2018 and the company secretary of Yunhong Guixin Group Holdings Limited (stock code: 8349) from December 2016 to March 2023.

MR. KWOK KIN WA ("MR. KWOK")

– Independent Non-executive Director

Mr. Kwok, aged 59, holds a Master degree of Business Administration from The University of South Australia. Mr. Kwok has extensive experience in real estate development and business investment and operations. Mr. Kwok is currently the director of Easymax Holdings Limited, Savilla Technology Group Company Limited and Aqualake Asian Pacific Holdings Limited. Also, Mr. Kwok is currently the committee member of the Political Consultative Conference of Jiangxi Province, the deputy director of Committee for Liaison with Hong Kong, Macau, Taiwan and Oversea of the Chinese People's Political Consultative Conference of Jiangxi Province, the vice president of Federation of Hong Kong Zhuhai Association and Federation of Industry and Commerce of Jiangxi Province, the president of Investment Chamber of Commerce of Private Enterprises of Jiangxi Province and Chamber of Direct Members of Jiangxi Federation of Industry and Commerce. Mr. Kwok has been appointed as Independent non-executive Director of the Company with effect from 4 June 2019.

The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MS. KWONG MEI WAN, CALLY ("MS. KWONG")

– Independent Non-executive Director

Ms. Kwong, aged 60, serves as the Hong Kong Deputy to the 13th National People's Congress. She is University Fellow of the Hong Kong Polytechnic University and a Graduate Gemologist Diploma from the Gemological Institute of America. Ms. Kwong is currently the chairman of Cally K Jewellery Limited and she has extensive experience in business investment and operations. Ms. Kwong was awarded "The Outstanding Businesswomen Award" by Hong Kong Commercial Daily in 2016 and "The 3rd Hong Kong Jewelry Industry Outstanding Achievement Award" by Hong Kong Jewelry Manufacturers' Association in 2018. Ms. Kwong actively participates in social affairs. She is an honorary citizen of Zhuhai, the executive vice president of Federation of Hong Kong Guangdong Community Organisations, the president of Federation of Hong Kong Zhuhai Community Organisations. Ms. Kwong has been appointed as Independent non-executive Director of the Company with effect from 22 July 2019.

SENIOR MANAGEMENT

The abovementioned Directors of the Company are members of senior management of the Group.

DIRECTORS' REPORT

The directors of the Company (each a "Director") present the annual report and the audited consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

BUSINESS REVIEW

The business review, analysis using financial key performance indicators and future development in the Company's business of the Group for the year ended 31 December 2022 are set out in the section headed "Management Discussion and Analysis" on pages 4 to 10 of this annual report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 23 to 48.

Review and outlook of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are disclosed in the Chairman's Statement, Notes to the Consolidated Financial Statements and Group Financial Summary of this annual report, which form part of this report. There are no significant events affecting the Group which have occurred since the end of the financial year.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 67 of this report.

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group is committed to maintaining close relationship with our employees, providing quality services to customers and strengthening the cooperation with our business partners.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

As the major businesses of the Group are property related businesses in the PRC, the Group evaluate, manage and mitigate from time to time environmental issues within the context of the Group's business activities and objectives for the conservation of energy and other natural resources, and devise environmental policies and measures for the Group so as to keep them in line with the standards required under the applicable laws, rules and regulations to the extent practicable. To name a few, for the Group's hotel in Wuhan, all guest rooms have room card insert energy saving switches to reduce energy waste. In the office, the Group encourages the reduction in paper and energy usage.

During the year under review, there had been no record of material breach or violation by the Group of applicable environmental laws, rules or regulations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. During the year under review, there has been no violation or breach of relevant laws and regulations that had a significant impact on the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 155 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 16 to the consolidated financial statements. Further details of the Group's major properties are set out on page 156 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

CONVERTIBLE NOTE

Details of the movements in convertible note during the year are disclosed in Note 28 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 71 of this report and Note 40 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

No distributable reserves of the Company as at 31 December 2022, which comply with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association", each an "Article"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

DIRECTORS

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

Executive Directors

Mr. Li Chao Bo *(Chairman and Chief Executive Officer)*
Mr. Ji Jiaming
Mr. Ye Tianfang
(Chief Executive Officer)
(resigned on 25 July 2022)

Non-executive Director

Mr. Zhang Guiqing

Independent Non-executive Directors

Mr. Ng Chi Ho, Dennis
Mr. Kwok Kin Wa
Ms. Kwong Mei Wan, Cally

In accordance with Article 108 of the Articles of Association, Mr. Ji Jiaming, Mr. Kwok Kin Wa and Mr. Ng Chi Ho, Dennis shall retire from their office by rotation at the forthcoming annual general meeting. Being eligible, Mr. Ji Jiaming will offer himself for re-election as Executive Director. Mr. Kwok Kin Wa and Mr. Ng Chi Ho, Dennis will offer themselves for re-election as Independent Non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Chao Bo ("Mr. Li") has been appointed as the executive Director of the Company with effect from 31 March 2016 and Mr. Li has entered into a new service contract with the Company on 3 June 2022. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules. Mr. Li is entitled to a salary of HK$325,000 per month, with housing allowance of not more than HK$50,000 per month, together with discretionary management bonus by the Company to be determined by the Board. Mr. Li's emolument is reviewed by the remuneration committee of the Company.

Mr. Ji Jiaming ("Mr. Ji") has been appointed as the executive Director of the Company with effect from 21 July 2017 and Mr. Ji has entered into a new service contract with the Company on 21 July 2020. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules. Mr. Ji is entitled to a salary of HK$250,000 per month, together with discretionary management bonus by the Company to be determined by the Board. Mr. Ji's emolument is reviewed by the remuneration committee of the Company.

Mr. Ng Chi Ho, Dennis has been appointed as the Independent Non-executive Director of the Company with effect from 16 March 2017 and he has entered into a new service contract with the Company for a term of two years which commence on 16 March 2023.

Mr. Kwok Kin Wa has been appointed as the Independent Non-executive Director of the Company with effect from 4 June 2019 and he has entered into a new service contract with the Company for a term of three years which commence on 4 June 2022.

Ms. Kwong Mei Wan, Cally has been appointed as the Independent Non-executive Director of the Company with effect from 22 July 2019 and she has entered into a new service contract with the Company for a term of three years which commence on 22 July 2022.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally for the year ended 31 December 2022 and as at the date of this report, the Company considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHY

Biographical details of the Directors are set out from pages 11 to 13 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

At 31 December 2022, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under 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 Companies (the "Model Code") were as follows:

(i) Long positions in shares at 31 December 2022

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	728,912,000	23.30%
Mr. Ji Jiaming	Beneficial owner	(2)	100,000,000	3.20%

Notes:

(1) Mr. Li Chao Bo is the sole beneficial owner of Linkway Investment Holdings Limited which in turn owns 728,912,000 shares of the Company. Mr. Li Chao Bo was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016, and as the chief executive officer of the Company with effect from 25 July 2022.

(2) Mr. Ji Jiaming holds 50% of Double Joy Developments Limited and is a director of Double Joy Developments Limited, which in turn owns 100,000,000 shares of the Company.

Save as disclosed above, at 31 December 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the year.

Category	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2022	Number of share options Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	As at 31 December 2022
Consultant	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,000,000	–	–	–	–	3,000,000
Consultant	16/06/2015	0.88	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				28,445,948	–	–	–	–	28,445,948

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme") which has been adopted by the Company on 3 June 2003. The New Scheme will expire on 17 June 2023. Option granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

Under the current refreshed Scheme mandate limit, the share options carrying the rights to subscribe for 312,827,854 shares (representing approximately 10% of issued share capital of the Company as at 30 June 2022 (the date of annual general meeting)) were available for granting by the Company as at 31 December 2022.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and the related parties or other companies in which the Directors had beneficial interest are set out in Note 38 to the consolidated financial statements.

Saved as disclosed above, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders (other than Directors and chief executives) maintained under Section 336 of the SFO shows that at 31 December 2022, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

(i) Long positions in the shares at 31 December 2022

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Linkway Investment Holdings Limited ("LIHL")	(1)	Beneficial owner and interest of controlled corporation	728,912,000	23.30%
Good Outlook Investments Limited	(2)	Beneficial owner	215,683,681	6.89%
China Financial International Investments Limited ("CFIIL")	(3)	Beneficial owner	698,079,429	22.32%
China Financial International Investments and Managements Limited	(4)	Investment manager	290,079,429	9.27%
Capital Focus Asset Management Limited	(4)	Investment manager	290,079,429	9.27%
Fu Lam Wu	(5)	Beneficial owner	200,000,000	6.39%

Notes:

(1) These Shares were held by LIHL. Mr. Li Chao Bo ("Mr. Li") is the sole beneficial owner of LIHL. Therefore, Mr. Li has beneficially interested in the said Shares.

(2) The Company is a company incorporated in the British Virgin Island with limited liability.

(3) These Shares were held by CFIIL (Stock Code: 721). Therefore, CFIIL have beneficially interested in the said Shares.

(4) These Shares were held by CFIIL. China Financial International Investments and Managements Limited ("CFIIM") is 51% owned by Capital Focus Asset Management Limited ("Capital Focus") and 29% by owned CFIIL. Accordingly, for the purposes of the SFO, CFIIM and Capital Focus are deemed to have the same interests in the Company as CFIIL, being in the capacity of investment manager of CFIIL.

(5) She is an independent third party.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO at 31 December 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions or continuing connected transactions undertaken by the Group during the year in the ordinary course of business or on normal commercial terms are set out in Note 38 to the consolidated financial statements. Certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. During the year ended 31 December 2022, the audit committee comprised Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally, who are the independent non-executive Directors.

The audit committee has reviewed the audited consolidated results and the risk management and internal control system of the Group for the year ended 31 December 2022.

The Group's annual results for the year ended 31 December 2022 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 5.0% and 3.8% for the Group's total purchases for the year ended 31 December 2022 respectively.

DIRECTORS' REPORT

During the year, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital, have any interest in the Group's five largest suppliers and five largest customers.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirements of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors of the Company had any interest in business which competes or may constitute competition directly or indirectly with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company or an associated company.

The Company has taken out and maintained Directors' and officers' liability insurance throughout the year, which provides appropriate cover for the certain legal actions brought against its Directors and officers.

EVENT AFTER THE REPORTING PERIOD

There was no significant event subsequent to 31 December 2022 and up to the date of this annual report.

AUDITOR

HLM CPA Limited resigned as auditor of the Company with effect from 26 April 2021 and Confucius International CPA Limited was appointed as auditor of the Company with effect from 26 April 2021 to fill the causal vacancy and to hold office until the conclusion of the forthcoming AGM. Save as disclosed above, there were no other changes of auditor of the Company in the preceding year.

The consolidated financial statements for the year ended 31 December 2022 were audited by Confucius International CPA Limited("Confucius"). A resolution for the re-appointment of Confucius as auditor of the Company is to be proposed at the AGM.

On behalf of the Board
Li Chao Bo
Chairman

Hong Kong, 30 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Environmental, Social and Governance ("ESG") Report ("ESG Report") of China City Infrastructure Group Limited ("Company") and its subsidiaries (the "Group" or "we") has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx Appendix 27 ESG Reporting Guide"), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Group and its all business segments in Hong Kong, Wuhan and Shenzhen. There were no significant changes observed in the Group's operating locations and business model in the financial year ended 31 December 2022 ("Year" or "2022 Reporting Period").

REPORTING PERIOD AND SCOPE

The statistics, figures and information cited in this ESG Report are referenced from the archived records and research of the Group and its all business segments in Hong Kong, Wuhan and Shenzhen. This ESG Report highlights the Group's sustainability efforts in environmental and social aspects. This ESG Report has been approved by the management and board of directors of the Group.

Reporting Period: 1 January 2022 to 31 December 2022, the financial period of our Annual Report 2022.

Organisations covered: The Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2022, all subsidiaries and business entities of the Group are included in the ESG Report.

REFERENCE GUIDELINES

HKEx Appendix 27 ESG Reporting Guide

CONTACT

Should you have any enquiries or feedback on this Report, please feel free to contact us via the following methods:

- Address : Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
- Tel : +852 2827 0088
- Fax : +852 2827 0303
- Official website : http://www.city-infrastructure.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Group's ESG philosophy is to create long-term value for its stakeholders that aligns with the strategic development and sustainability of its business. The Board of Directors (the "Board") believes that good corporate governance promotes and safeguards the interests of shareholders and other stakeholders. Hence, the Group is committed to maintaining a rigorous framework of corporate governance which upholds the Group's credibility and reputation.

The Board continuously enhances the supervision over the Company's ESG governance and increases its engagement efforts. The Company has set business-related annual environmental targets, and the Board has reviewed and discussed the establishment of the targets and reviewed the progress of the fulfillment of targets on a regular basis. The Board believes in the long-term value created by sustainable business development, and the Company has adopted the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide, under the guidance of which, we carry out sustainability tasks in environmental protection, employees, production safety and other aspects.

Li Chao Bo
Executive Director

30 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG OBJECTIVES AND SCOPE

The Group is principally engaged in property related business and started to dedicate to the infrastructure business since 2014. The Group's principal activities include: (i) Property development involving development of property projects in the People's Republic of China (the "PRC" or "China"); (ii) Project investment on leasing of investment properties; (iii) Hotel business involving the operation of hotels; and (iv) Property management business on the provision of property management and other services, in Wuhan City (the "Wuhan"), Hubei Province, the PRC. Regarding ESG objectives, the Group continues its practices and aims to maximize returns for the shareholders, business partners and investors, whilst being a socially and environmentally responsible company and providing a safe, healthy and pleasant working environment to our employees. In the 2022 Reporting Period, the Group strengthened the management efforts on the quality management of products, management of supply chains and the administration of personnel.

Wuhan Future City Hotel Management Company Limited, an indirectly wholly owned subsidiary of the Group, has suspended operations of its hotel business (the "Future City Hotel") since January 2022 due to the impact of the COVID-19 pandemic. As such, this ESG Report mainly includes data and activities of the managed properties and shopping malls in Wuhan. The office-based operation in Hong Kong (the "Hong Kong Office") is served as an administrative office with minimum operations, and given the operational site is immaterial, its environmental implication is immaterial and therefore is covered only in the social section in the ESG Report, unless otherwise stated.

ESG APPROACH AND MANAGEMENT

Throughout the 2022 Reporting Period, the Group maintained the same ESG management structure and process as the last reporting period (from 1 January 2021 to 31 December 2021, "2021" or "2021 Reporting Period"). The Board of the Group is responsible for formulating and setting goals and targets, approving strategic direction and policies, and monitoring obligation performances regarding ESG issues. The Board has delegated the chief executive officer (the "CEO") and the departmental managers (collectively, the "Management Team") with the overall responsibility of implementing the approved ESG strategies and policies to achieve the ESG targets. The Management Team has thus allocated resources and assigned various operational heads with the following responsibilities:

- Implement ESG strategies and policies;
- Establish and designate ESG Key Performance Indicators ("KPIs") to monitor the implementation of such ESG strategies and policies;
- Collect and compile data, and prepare ESG reports;
- Evaluate the overall performance of the ESG strategies and policies;
- Establish mitigation measures to achieve the ESG targets; and
- Communicate with stakeholders regarding ESG issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Upon receiving regular or ad hoc updates and reports on ESG activities and related issues from the departmental managers, the CEO will analyses, compare to our goals and targets, device solutions and action plans and make the decisions or prepare reports and recommendations to the Board for special discussion and/or approval.

The Board evaluates the potential risks indicated by the ESG information, gives priority to ESG issues with great impact and formulates effective prevention and control measures to ensure the sustainable development of the Group. The Board determines the ESG measures to be improved on an annual basis according to the business challenges of the year and makes decisions to strengthen employee training to continuously improve the performance.

Changes in business operations, structures, technologies, laws and regulations and the environment may drive changes to our ESG policies and practices. The Group undertakes and invests adequate resources to monitor ESG issues, policies, practices and performance on an ongoing basis. Furthermore, to build a long-term relationship with vary stakeholders and to contribute to the sustainable development of the environment and society at large, the Group exercises due responsibility in maintaining the highest level of ethical standards on conducting its business and upholds strict compliance with all relevant laws, rules and regulations in all ESG matters.

STAKEHOLDERS COMMUNICATION AND MATERIALITY

The Group is committed to be a socially responsible corporation through constant interaction with stakeholders and taking into account of their interests and benefits. We have been building the Group as an open, transparent and fair enterprise with due consideration of the environmental and social responsibilities with its business objectives. We have also been working towards achieving long-term sustainable growth of our business while safeguarding stakeholders' interests. The Board has taken into account the listed environmental and social areas and aspects in the ESG Reporting Guide which are significant considerations for its business planning and operation, and has integrated those environmental and social considerations into its business objectives, strategies and practices.

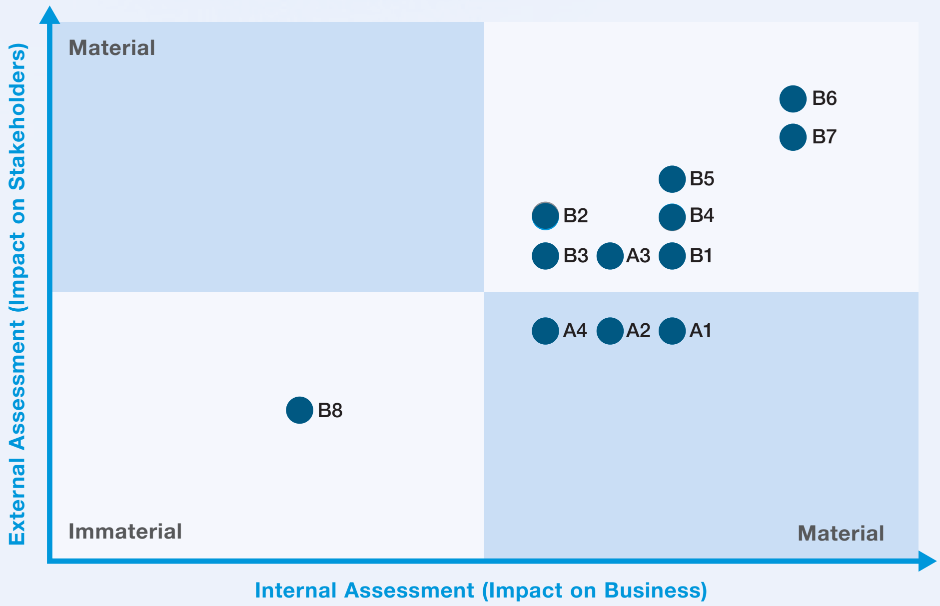
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In managing the priorities, the Group continues to ensure its operations are in compliance with its environmental and social responsibilities and obligations as required by the ESG Reporting Guide and the laws and related regulations of the China. The Group also continues to take into account of the opinions and views, and strive to address their concerns with the various stakeholders through the stated communication channels as listed below:

Stakeholders	Communication Channels
Shareholders/Investors	• General meetings • Group announcements on websites of the Company and the HKEx • Direct emails or phone enquiries • Dispatched documents
Employees	• Direct meetings with the management executives • Emails and photo contact • Annual and regular appraisal • Organized functions and activities for the employees
Customers	• Day-to-day communication through front line staff • Emails • Official websites
Suppliers/Service providers/ Professional advisors	• Day-to-day communication through front line staff • Regular review of the signed arrangements by the management
Industry associations	• Participation in annual and regular meetings, conferences, events, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For 2022, the Group and the stakeholders have identified the following material areas and aspects:



Subject Areas		Subject Aspects
Environmental		A1. Emissions
		A2. Use of Resources
		A3. Environment and Natural Resources
		A4. Climate Change
Social	Employment and Labour Practices	B1. Employment
		B2. Health and Safety
		B3. Development and Training
		B4. Labour Standards
	Operating Practices	B5. Supply Chain Management
		B6. Product Responsibility
		B7. Anti-corruption
	Community	B8. Community Investment

The above ESG material areas and aspects have continued to be strictly managed and monitored through the Group's established management structure, process, policies and guidelines as described in this ESG reporting and herein summarize in below:

THE GROUP'S ENVIRONMENTAL AND SOCIAL AREAS AND ASPECTS AND THEIR PERFORMANCE

(A) ENVIRONMENTAL

1.1 Environmental Areas Overview

As an environmentally responsible corporation, the Group is committed to achieving a balance between maximizing returns to our shareholders and minimizing any adverse impact on the environment.

Based on various aspects of the subject areas in the ESG Reporting Guide, we have identified the laws and regulations that are the most relevant to the Group:

- Environmental Protection Law of the PRC;
- Environmental Impact Assessment Law of the PRC;
- Water Pollution Prevention and Control Law of the PRC;
- Solid Waste Pollution and Environmental Prevention and Control Law of the PRC;
- Air Pollution Control Ordinance Law of Hong Kong; and
- Environmental Impact Assessment Ordinance Law of Hong Kong.

1.2 Environmental Aspects

The Group advocates the importance of sustainable development in relation to our on-ongoing business operations and activities. We have employed various measures to ensure full compliance with all relevant rules and regulations regarding emissions, effluent water, and solid waste discharge and to ensure minimal impact on the environment.

A1. Emissions and Wastes

(i) Direct and Indirect Hazardous and Non-Hazardous Air Emissions

The operations and activities of the Group do not directly generate any hazardous air emissions and pollutants, the only non-hazardous carbon dioxide ("CO_2") is generated indirectly from the use of electricity by the Hong Kong Office, offices in the PRC and the managed properties and shopping malls in Wuhan. The degree of electricity consumption by the residents, tenants and visitors of the managed properties and shopping malls in Wuhan will determine the amount of electricity usage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous air emissions, such as sulphur oxides, nitrogen oxides and particulate matters will be generated from direct use of diesel, petrol and other fossils fuels. Our managed properties and shopping malls in Wuhan have a few standby small diesel generators, which will be used only when there is a sudden power outage. The diesel consumption and related hazardous emissions will only be disclosed if the Group constantly and regularly consume diesel. Fortunately, power cut-off incidents were only on ad-hoc with a few short periods in the last 3 years and is insignificant on continuous management basis. We therefore have not reported any use of diesel herein. The Group does not own and operate a fleet of transport vehicles, its petrol and other fossils fuel consumption is insignificant and not reporting herein as well. Furthermore, the Group continues to encourage our staff to reduce flights by teleconferencing and use public transport as means to consume less energy and to produce less CO_2.

For the 2022 Reporting Period, same as 2021, the Group did not breach any laws, rules or regulations and did not receive any notice of fine or warning from any governmental agencies in relation to its emissions in China and Hong Kong, which might have an adverse impact on the environment and the Group.

Between January 2022 and August 2022, the Group implemented the work from home policy at its Hong Kong Office to reduce physical interactions among employees and so reducing the risk of spreading COVID-19 disease. Additionally, the Group suspended operations of its Future City Hotel since January 2022 due to the impact of the COVID-19 pandemic. These measures have resulted in a reduction in electricity and water consumption during the 2022 Reporting Period.

The table below recorded and compared the 2022 Reporting Period and the 2021 Reporting Period's resultant air pollutant emissions:

		Year ended 31 December		
Items of emissions *Note 1*	**Unit**	**2022**	**2021**	**Changes**
CO_2 indirect emission				
– Hong Kong Office	Tonnes	9.91	12.35	–19.76%
– Wuhan *Note 2*	Tonnes	2,319.94	3,162.73	–26.65%
Total (CO_2)	Tonnes	2,329.85	3,175.08	–26.62%
Intensity				
– CO_2/employee in Hong Kong Office	Tonnes	1.42	1.76	–19.32%
– CO_2/employee in Wuhan	Tonnes	17.31	18.50	–6.43%

Note 1: Emission factors for calculations in this ESG Report were made reference to the "How to prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 25 March 2022)" by The Stock Exchange of Hong Kong Limited, unless otherwise specified.

Note 2: Emission factors for purchased electricity are based on the "2019年電網平均二氧化碳排放」 derived on 中國產品全生命週期溫室氣體排放系數庫。

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The decrease in indirect CO_2 emission in both the Hong Kong Office and Wuhan during the 2022 Reporting Period was due to the implementation of work from home policy and the suspension of hotel operations when compared to the 2021 Reporting Period.

In the coming year, the Group targets to reduce 1-2% indirect CO_2 emission performance in Wuhan and Hong Kong Office, by implementing various environmental initiatives stated in *Section A1(vi)*.

(ii) *Noise Pollution Emission*

The operations and activities of our offices and the managed properties and shopping malls do not generate and emit any noises. Moreover, residents, tenants and visitors have been advised to read the noise policies to avoid noise generated. The Group has complied with all the national and local laws, rules and regulations to ensure noise emission is under strict control. The Group did not receive any complaints related to noise emission for the 2022 Reporting Period, which was consistent with our performance in 2021 and targets to achieve the same performance in the coming year.

(iii) *Light Emission*

The operations and activities of our offices and the managed properties and shopping malls do not generate and emit any light pollution. The Group has designed, decorated and installed lighting systems for its managed properties and shopping malls that are strictly in compliance with the local requirements and standards, and no light pollution is caused. The Group did not receive any complaints related to light emissions for the 2022 Reporting Period, which was consistent with our performance in 2021 and targets to achieve the same performance in the coming year.

(iv) *Water Pollution and Discharge*

The Group's operations and activities only generate living and hygiene water used by our employees, residents, tenants and visitors of the offices, managed properties and shopping malls, which is not harmful nor toxic by nature and do not generate much polluted water. Water is supplied from the city supply network and is discharged through central sewage system. The Group did not receive any complaints or warnings relating to the discharge of polluted water for the 2022 Reporting Period, which was consistent with our performance in 2021 and targets to achieve the same performance in the coming year. As the water consumption fees are included in the office management fees, we therefore do not have the water consumption data for the Hong Kong Office. Water consumption in Wuhan is stated in *Section A2(ii)*.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(v) *Hazardous and Non-Hazardous Wastes Discharge and Disposal*

The Group's operations and activities only generate non-hazardous general wastes, such as used papers, packaging materials, office residuals, general rubbish and hygiene and living wastes, by its employees, residents, tenants and visitors of the managed properties and shopping malls. All these wastes are disposed to rubbish bins and stored in rubbish depots and will be collected by the city urban clean services on daily basis or fee basis. The Group did not receive any complaints or warnings on its wastes disposal for the 2022 Reporting Period, which was consistent with our performance in 2021 and targets to achieve the same performance in the coming year. Owing to the different natures of our operations and activities involving leased properties, shopping malls and management services offices, the amount of non-hazardous wastes were only generated from our administrative offices which are insignificant and pose no material impact to the environment. For the paper usage, please refer to *Section A2(iii)*. For the coming year, we target to reduce the overall paper consumption by 2-3%.

(vi) *Mitigation Measures*

As a responsible corporation, for cost-saving purposes and for the protection of the environment, the Group continues to comply with all the national and local environmental laws, rules and regulations and industrial standards. The Group has also implemented the following environmentally friendly measures into its daily operations and activities to minimise adverse impacts on our environment.

- Appointed responsible officers to regularly inspect our offices and managed properties and shopping malls to ensure the fresh water is not wasted, power is turned off when works is not being carried out, and the use of natural ventilation to replace air-conditioning in allowable conditions;

- Reduced unnecessary business trips and increased use of the information technology, such as video conferencing;

- Encouraged the employees to take public transports or car-pooling to minimise the use of private vehicles and taxi;

- Invested in fresh water and energy saving tools and equipment such as the installation of water measuring meters, LED lights and solar energy systems; and

- Implemented a waste-classification system and the practice of recycling use of resources especially on printing papers.

As a result, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes discharges, fines or warning notices from the relevant environmental agencies in Hong Kong and China in 2022, as well as in 2021. The Group is determined to reinforce and to take all required measures to continue to achieve and improve on our environmental performance in coming years, and is also committed to contributing to combat global warming by reducing the CO_2 emissions and other pollutants, and preserving natural resources especially fresh water by reducing wasting uses.

A2. *Use of Resources*

The Group's managed properties and shopping malls, property investment, development and management services offices only use electricity to run the operations and activities, fresh water for general hygiene and cleaning needs, printing papers and paper bags for general offices routine works and services to visiting clients. The Group did not used significant amount of other natural resources in its normal business activities and operations.

Although the Group's operations and activities do not generate much environmental hazards, we are committed to acting responsibly and aiming to minimise our impact on the environment whilst reducing our operational costs. The Group has promoted efficient uses of resources, including electricity, fresh water, paper and packaging materials, through the introduction of various measures as disclosed above. For the 2022 Reporting Period, the Group did not find any unreasonable uses of resources including electricity, fresh water, paper and packaging materials, which were all within our internal control targets.

(i) *Electricity Consumption*

The Group's managed properties and shopping malls, property investment, development and management services offices only use electricity supplied from the local city grids. To save operational costs and to combat climatic changes by reduction of CO_2 and pollutants emissions, the Group has already implemented measures as explained in *Section A1(vi)* to reduce energy consumption.

The table below recorded and compared the 2022 Reporting Period and the 2021 Reporting Period's resultant electricity consumption:

		Year ended 31 December		
Electricity Consumption	**Unit**	**2022**	**2021**	**Changes**
– Hong Kong Office	kWh	14,569.00	17,389.00	–16.22%
– Wuhan	kWh	5,010,677.46	6,016,228.02	–16.71%
Total	kWh	5,025,246.46	6,033,617.02	–16.71%
Intensity				
– kWh/employee in Hong Kong Office		2,081.29	2,484.14	–16.22%
– kWh/employee in Wuhan		37,393.12	35,182.62	+6.28%

The decrease in electricity consumption in both Hong Kong Office and Wuhan during the 2022 Reporting Period was due to the implementation of work from home policy and the suspension of hotel operations when compared to the 2021 Reporting Period.

For the coming year, the Group targets a reduction of 1-2% of electricity consumption under normal operating conditions through improvement in energy efficiency management measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As aforementioned in *Section A1(i)*, the Group uses diesel for our standby power generators only and which are only used during power shortages. Fortunately, over the last three years, such incidents were only experienced momentarily, and as such are insignificant in terms of general and usual operations and we therefore, have not reported any use of diesel herein.

(ii) *Fresh Water Consumption*

The Group's offices, managed properties and shopping malls have no problem in sourcing fresh water supply, which comes from the cities' central water supply network, using for living, hygiene and cleaning purposes by its employees, residents, tenants and visitors of the managed properties and shopping malls. We regularly remind our employees to efficiently use fresh water and to avoid excessive usage of fresh water as it is one of the most important and scarce resources on our planet. We have appointed supervising staff to regularly inspect the places, such as toilets, kitchens and bathrooms to ensure all the water taps have been turned off when they are not in use, and to check and remediate immediately any water leakage. In the toilets, managed properties and shopping malls, we have posted notices to remind the users to reduce fresh water consumption. We have also continued to use treated water for toiletry purposes in the managed properties and shopping malls.

As explained in the aforementioned "Water Pollution and Discharge" section, the water consumption fees are included in the office management fees, we therefore do not compile the water consumption data for the Hong Kong Office.

The table below recorded and compared the 2022 Reporting Period and the 2021 Reporting Period's resultant water consumption in Wuhan:

		Year ended 31 December		
Water Consumption in Wuhan	**Unit**	**2022**	**2021**	**Changes**
– Wuhan	m^3	68,183.20	100,249.31	–31.99%
Intensity (m^3/employee in Wuhan)		508.83	586.25	–13.21%

Compared to the 2021 Reporting Period, the decrease in water consumption was due to the suspension of hotel operations in 2022.

For the coming year, the Group targets to continue the decreasing trend and to achieve an overall reduction of fresh water consumption by 1-2% under normal operating conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(iii) Paper and Packaging Materials and other Raw Materials Consumption

The table below recorded and compared the 2022 Reporting Period and the 2021 Reporting Period's resultant paper usage in Hong Kong Office:

Non-Hazardous Waste (A4 Paper)	Unit	2022	2021	Changes
		Year ended 31 December		
– Hong Kong Office	Pieces	117,000.00	N/A	N/A
	Tonnes	0.59	N/A	N/A

Although the Group's activities and operations do not consume significant amounts of papers and packaging materials, to save operational costs and improve its environmentally friendly footprint, the Group has continued to implement the following measures, requested its employees and the residents, tenants and visitors of the managed properties and shopping malls to cooperate in reducing paper and packaging material consumption:

For employees:

- Applying computer technology such as storage of documents in electronic version, communications via emails and messages to replace paper consumption;
- Reusing stationery such as envelopes, document folders etc.; and
- Printing on either both sides of a plain paper or on recycled paper.

For residents, tenants and visitors of the managed properties and shopping malls:

- Encouraging people to use recycled and reusable bags and containers; and
- Posting notices in convenient places to request their cooperation in reducing the use of plastic bags and papers.

For the 2022 Reporting Period, the Group was not aware of any indicator alerting to the consumption of paper and packaging materials at an excessive level. For the coming year, the Group targets to achieve a 1-2% reduction in the paper and packaging materials consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. The Environment and Natural Resources

The Group's activities and operations do not generate any harmful emissions and discharges, which will cause significant environmental impact and hazards. The Group also does not consume significant and excessive amounts of water, paper and packaging materials. As a responsible corporation, we have implemented environmental protection policies and have complied with all the national and local environmental laws, rules and regulations, and industry standards. We are committed to conserving resources in order to reduce the impact on the environment as well as saving operational costs. We cooperate with the local government agencies and support environmental activities to build a "clean" environmental society.

During the 2022 Reporting Period, electricity, fresh water, paper and paper-based packaging materials for our normal operations and activities were the only key elements which were considered to have an impact on the environment. The Group has continued to support all measures to reduce, reuse and recycle as far as possible and practicable. The Group honoured its environmental obligations and did not receive any warning or notice of complaint from any governmental environmental agencies, clients or business partners that we violated any environmental rules and regulations, polluted the environment or caused any environmental troubles. We have also taken initiatives to guide and requested the residents, tenants and visitors to co-operate on saving energy and water. For the coming year, we strive to continue to achieve a record of zero complaints and no pollution occurrences, and to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

A4. Climate Change

After reviewing the Group's operations and activities and collecting the views and opinions from the stakeholders, in consideration of the current global environmental conditions, the Board of the Group identifies that global warming, conservation of fresh water and reduction of papers and paper-based packaging materials are the most significant climatic issues that may impact the Group and the environment. These climatic issues not only affect the operational costs of the Group, such as the increased offering of air-conditioning, water and papers and paper-based packaging materials in our managed shopping malls, but they will also affect the environmental conditions on our managed properties and shopping malls.

Presently, it is generally agreed that global warming is mainly caused by the excessive and uncontrolled emission of CO_2 into the atmosphere, which is directly and indirectly the result of uses of fossil fuels for electricity generation and transportation. During the 2022 Reporting Period, the Group's operations and activities did not directly generate any CO_2 emission, but indirectly generated CO_2 emission through the use of electricity. We have implemented policies and measures to use electricity efficiently to reduce CO_2 emission. Furthermore, we have supported reforestation and implemented paperless office to curb our contribution to global warming.

Conservation of fresh water is one of the most urgent actions to be taken. Although the Group cannot directly control our managed shopping malls' visitors, and properties' tenants on the uses of fresh water, we have taken measures as explained above to educate, guide and request their cooperation to use of water smartly.

With regard to the consumption of paper and paper-based packaging materials, which directly relates to the cutting of trees and the ultimate affects on global warming. The Group believes that the uncontrolled and excessive usage of papers and paper-based packaging materials are one of the main causes for the continued and fast disappearance of forests and consequently the effects on global temperatures. To remediate, the Group has introduced and will continue to devise and to implement measures, such as minimisation of the use of paper-based bags and printing papers in in our offices.

For the 2022 Reporting Period, the Group's business operations and activities did not cause any events or issues that might impact the climate or result in the change of the climate seriously. The Group has already implemented measures to lower indirect CO_2 emission, fresh water consumption and paper and packaging materials consumption for the coming year.

(B) SOCIAL AREAS AND ASPECTS

2.1 Social Areas Overview

Introduction

The Group spares no effort to contribute to the development of a harmonious society and building a mutually beneficial relationship with our stakeholders including employees, customers, suppliers, professional services providers, local communities as well as the regulatory authorities. Throughout the formulation and implementation of our ESG strategies, policies, rules and regulations, we incorporated our long and short term goals with due considerations of the stakeholders and the society. We act in an honest and transparent way with mutual respect and believe that our sincere acts will ultimately benefit the stakeholders and general society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 Employment and Labor Practices Aspects

B1: Employment

The Group's business development and growth relies heavily on the commitment, passion and skills of its employees. We therefore value our employees as our most valuable assets. We strive to create a workplace which makes each employee feel valued and inspired to do their best. We are committed to strictly complying with all the relevant statutory requirements in the Labour Law of the PRC and other applicable laws and regulations in the PRC, and the "Hong Kong Employment Ordinance".

Since the commencement of ESG reporting, the Group has continued its employment policies and practices throughout, which include the following main features:

- Human resources department in the headquarter office is responsible to review and approve the human resources policies, and employment terms and conditions, while the local subsidiaries' human resources managers implement the approved policies and measures in accordance with the local employment laws, rules, regulations and practices;

- Adopt humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;

- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an Employee Handbook, detailly listed out all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfares etc.;

- In accordance with the requirements of the national laws of PRC, such as Social Insurance Law of the PRC and the Administrative Regulations on Housing Provident Funds and local Employment and Labour Law of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to the mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;

- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for internal employees will be rewarded at the discretion of the top management with consideration on performance;

- The recruitment and evaluation process of the Group is transparent and ensures equitable positions and equal opportunities to all employees on all qualified job applications, transfers and promotions; and applicants will be considered without discrimination on age, race, religion, sex and disability basis; and

- Provide a safe and pleasant working environment to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the 2022 Reporting Period, same as the 2021 Reporting Period, the Group has complied with all the employment laws, rules and regulations of the PRC and Hong Kong, and has honored all obligations including the payment of salaries and wages, holidays and leave, compensations, insurance and health benefits without disputes with our employees. We are confident that our well performed employment policies and measures and track records will continue in the coming years ahead.

As required by ESG Reporting Guide, the Group's Employment for the 2022 Reporting Period and 2021 Reporting Period are graphed as follows:

Figure 1: Number of Employees by Employment Type

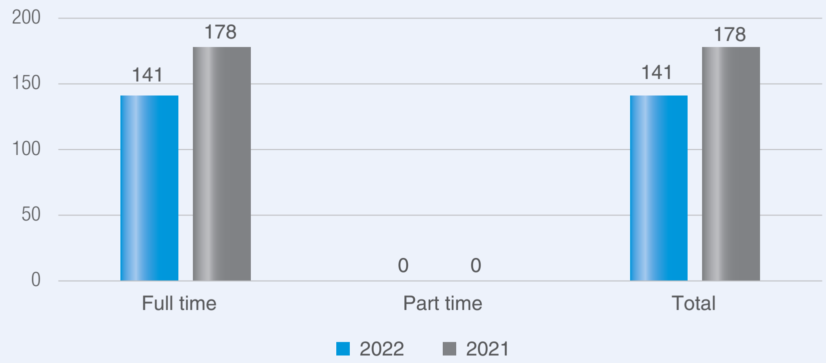


Figure 2: Number of Employees by Gender

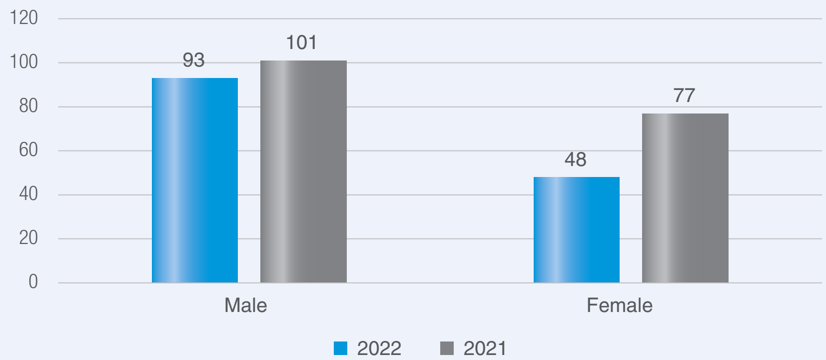


Figure 3: Number of Employees by Employment Role

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Figure 4: Number of Employees by Age

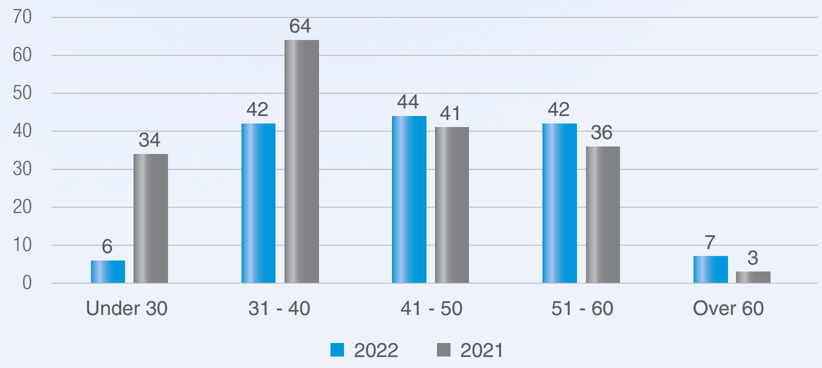
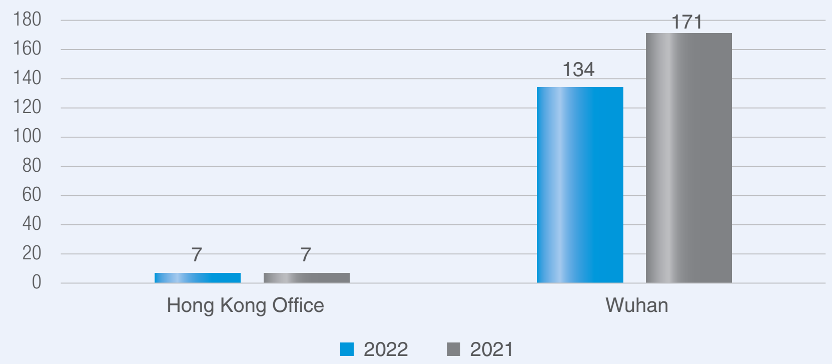


Figure 5: Number of Employees by Geographical Region



As required by ESG Reporting Guide, the Group's Employment turnover rate for the 2022 Reporting Period is graphed as follows:

Figure 6: Employment Turnover Rate by Gender

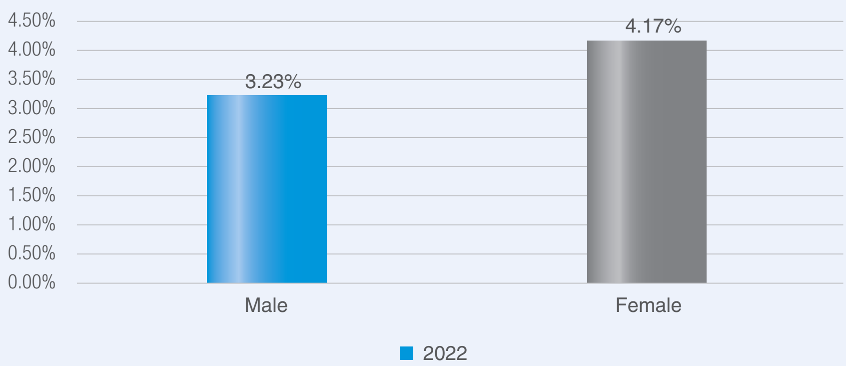


Figure 7: Employment Turnover Rate by Age

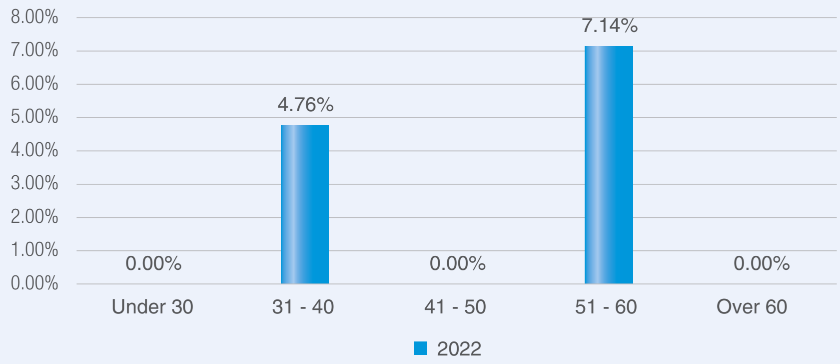
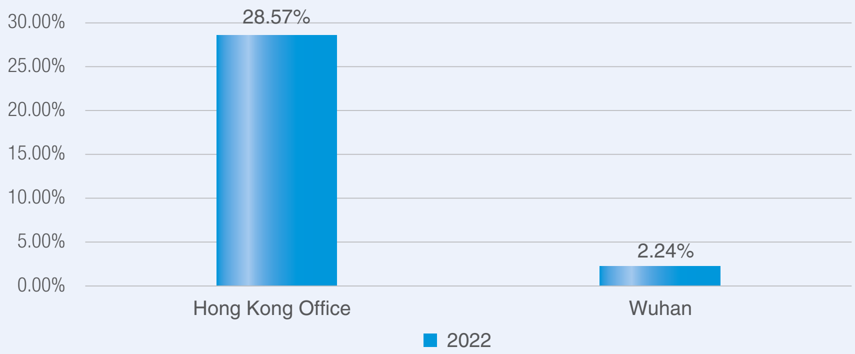


Figure 8: Employment Turnover Rate by Geographical Regions



B2. Health and Safety

As a continuing cornerstone policy, the Group at all times provides a safe, clean and pleasant working environment to all the employees as its top priority on business planning and resources allocation, which can be summarised below:

- Constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;

- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;

- Requires all employees to strictly comply with the health and safety policies, rules and regulations and has constantly alerted the employees to perform their tasks under safety conditions;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Takes occupational health and safety as one of our prime responsibilities, and employees are required by the in-house rules to notify their superiors immediately, whenever emergency or accidents, regardless of minor or serious occur, who will then take appropriate measures to ensure safety is not compromised, and in all circumstances the in-house rules also require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate; and

- Insure all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two places.

The Employees' Handbook and Labor Contract for Chinese employees and Employment Contract for Hong Kong employees set out detailed health and safety guidance and measures, which comply with the employment ordinance of Hong Kong and labor laws and regulations of the PRC, and which the Group has honored completely.

The Group had zero work-related fatalities in the past three years including the 2022 Reporting Period in any of our operations. Furthermore, during the 2022 Reporting Period, same as the 2021 Reporting Period, zero lost days due to work-related injuries was recorded, nor any claimed disputes on employees compensation or investigation by any government agencies. For the coming year, we will continuously monitor and audit our safety performance closely and are confidential to maintain zero-accident for all our business activities.

B3. Development and Training

The Group recognises the value and contributions of its employees and is willing to invest and to offer training and development to enhance their skills and capabilities. The Group has regularly offered in the last few years in its local properties/shopping malls and management services offices internal and on-the job training programs, including but not limited to occupational safety, jobs related skills, services quality etc. to new and current employees. The Group has also supported its employees to continue learning and enhancing their job skills. Individual employees can apply for further development and training and the Group will sponsor or allow paid leave for employees to attend job related training programs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The participation rates of training of the Group during the 2022 Reporting Period and 2021 Reporting Period are tabulated as follows:

Training (No. of employees)		Internal	External
Percentage of employees trained			
	2022	31.21%	–
	2021	30.90%	–
Male			
	2022	75.00%	–
	2021	70.91%	–
Female			
	2022	25.00%	–
	2021	29.09%	–
Managerial staff			
	2022	9.09%	–
	2021	7.27%	–
Operational staff			
	2022	90.91%	–
	2021	80.00%	–
General staff			
	2022	0.00%	–
	2021	12.73%	–

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The training hours of the Group during the 2022 Reporting Period and 2021 Reporting Period are tabulated as follows:

Average training hours per employee *Note 3*	**Internal**	**External**
Total average training hours per employee		
2022	0.71	–
2021	3.66	–
Average training hours for male		
2022	0.81	–
2021	4.57	–
Average training hours for female		
2022	0.53	–
2021	2.46	–
Average training hours for managerial staff		
2022	0.61	–
2021	3.64	–
Average training hours for operational staff		
2022	0.76	–
2021	4.23	–
Average training hours for general staff		
2022	–	–
2021	1.97	–

Note 3: Since 2022, we started reporting the average training hours for employees calculation for better comparability and performance tracking. For comparability, the 2021 figure is also restated.

B4. Labour Standards

The Group has continued to strictly comply with the PRC and the Hong Kong labor laws and employment regulations in the relevant jurisdictions in which it operates and adopts the respective national standards as its minimum labor standard on labor protection and welfare. The Group also always maintains strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labor. The human resources managers are charged with the responsibilities to ensure all such compliances are strictly adhered, failing which will be a breach of work duties and will be fired. The Group has honored all of our obligations towards the employees under the signed employment contracts and the terms and conditions written in the employee handbook, and has built a safe, healthy and harmonious working environment in all our offices. The Group had not violated any provisions under the Labor Laws of the PRC and Employment Ordinances of Hong Kong, and no labour litigation and charge was filed against us in the 2022 Reporting Period, same performance as 2021.

As a routine practice, with the purpose to improve understanding and the general working environment, the Group regularly invites the employees' representatives to meet to discuss about issues relating to working conditions, health and safety. The Group believes that with effective communication, trust can be built and a win-win situation can be established.

2.3 Operation Practices and Social Investment Aspects

B5. Supply Chain Management

The ESG Reporting Guide specified the supply chain management primarily refers to the management of sourcing and procurement especially in relation to environmental and social risks. Same as the last few years, the Group has approved and implemented policies and regulations with the purposes to achieve an efficient and stable supply of quality products and services, elimination of malpractices, and manage the suppliers to be in line with the Group's core values to uphold environmental and social standards.

The sourcing and procurement management of the Group's properties, shopping malls and management services offices operations and activities summarised below:

For properties, shopping malls and management services operations, there are many types of purchases including raw materials, utensils and consumables, such as stationery, cleaning detergent, towels, appliances; food and beverage products, repair and maintenance tools, project construction materials and contract services.

To ensure a stable, quality assured and cost-efficient procurement, the Group has implemented clear procurement management rules and guidelines containing policies and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. We select the suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality; (iii) pricing of the products and services; (iv) reliable delivery times; and (v) historical record of the suppliers' business relationships with us and others in the industry and their committed compliance to laws, rules and regulations. The Group also assesses the suppliers with regard to their track records on environmental maintenance and performance. The Group keeps a list of suppliers and will invite 2-3 suppliers to tender for purchases to get the optimal offer and to eliminate malpractices if the purchase order is of a reasonable size in the opinion of the CEO and departmental manager.

During the 2022 Reporting Period, the Group engaged 16 major suppliers. To support the local community, the Group gives preferential status to local suppliers in sourcing its services and equipment. For the 2022 Reporting Period, same as the 2021 Reporting Period, all its purchases of services, supplies and equipment were sourced from local suppliers or agents. The Group did not have any disputes and litigations with our suppliers in the 2022 Reporting Period, which was consistent with our performance in 2021.

B.6 Product Responsibility

The ESG Reporting Guide mentioned four major aspects related to Product Responsibility policies and practices: product quality and safety, customer services and complaints handling, intellectual property rights and privacy.

(i) Quality and Safety

As a standard policy, the Group always takes all reasonable steps to ensure that the services delivered to its residents, tenants and visitors to its managed properties and shopping malls are safe, accurate, satisfactory and meet all agreed or legally required requirements and industries standards and pursuant to its sales and purchases contracts and/or tenancy agreements signed on health and safety, quality of services, timing and price satisfaction. Apart from the provision of quality hardware and facilities, the Group has regularly trained and ensured our employees provide service with politeness, smiles and a positive attitude, and to render support with empathy and heart to the residents, tenants and visitors.

(ii) *Customer Services and Complaints*

It is a continuing policy that the local management services offices' managers are the direct controller to monitor and to review the performance of the delivered quality of services meeting both internal and external quality assurance processes and codes. The residents, tenants and visitors of the managed properties and shopping malls can contact the managers directly or to leave messages by letters, emails and phone about their requests, concerns dissatisfactions and complaints. Upon receiving, the site duty-officers or managers are required to handle immediately without delay. If the incidents are beyond the handling capacity of the site duty-officers or managers, they have to report immediately to the general manager of the local offices, which ensures to find out a solution to address the requests, concerns, dissatisfactions and complaints. For serious issues and complaints, the local management offices will afterwards complete a report to explain and give recommendations for future improvement to the management of the Group.

In the 2022 Reporting Period, same as the 2021 Reporting Period, local properties, shopping malls and management services offices were proud again that it received no major complaints from the residents, tenants and visitors, or warnings from the Consumer Councils or relevant regulatory authorities on the quality of its services.

(iii) *Intellectual Property Right*

Given the nature of the Group's business, it does not involve in intellectual property right ("IPR") issues. However, the Group recognises and complies with all the relevant laws and rules in relation to intellectual property right, such as buying original software for office applications and uses. In the 2022 Reporting Period, as well as 2021, the Group did not have any infringement by third parties on its IPR or by itself to any IPR of third parties.

(iv) *Privacy*

The Group's properties, shopping malls and management services operations, owing to their business nature, has generated and accumulated large volumes of private, confidential and sensitive information on the residents, tenants and visitors as well as suppliers especially about the personal and company detailed background information, and financial documents and position details, terms of contracts etc., of the managed properties, shopping malls. These types of information are extremely sensitive and important. Pursuant to the Personal Data (Privacy) Ordinance ("PDPO") of Hong Kong (Chapter 486 of the Laws of Hong Kong) and the relevant laws rules and regulations relating to privacy of the PRC, the Group is obliged to keep and to protect all such data confidential and safe. If there is any breach of confidentiality or a failure to comply with the protection, collection, use and disclosure of personal data as prescribed under the PDPO, resulting in personal data related to individual candidates being leaked to or obtained by third parties as a result of its breach of confidentiality, individual candidates may take legal action against the Group for damages and/or compensation for the loss that may have arisen or been incurred therefrom, in addition and being subject to the penalties prescribed under the PDPO.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is fully aware of its obligation and has exercised due diligence on protecting information. The Group has set up a system to encrypt and safeguard this sensitive and confidential information to prevent unauthorised access. The Group has authorised an IT security expert to continuously monitor, maintain and update the hardware software and security system to prevent hacking attacks at all times. Also, all the employees have been notified and legally bound in their employment contracts that they are obligated to honour the "Confidentiality Undertaking", and that no disclosure and/or leakage in whatever form of the confidential information shall be accessed and/or obtained without the approval of the senior management of Group. Legal actions will be taken if violation takes place. In the 2022 Reporting Period, same as the 2021 Reporting Period, there was no report on information leakage received.

B7. Anti-corruption

As discussed in the introduction section, anti-corruption is a material aspect to all stakeholders. The Group has the social responsibility, as well as the duty to safeguard the assets and interests of all our stakeholders. The Group is also well aware of the importance of honesty, integrity and fairness in our business operations and has therefore put in place anti-corruption measures. We have therefore adopted a zero-tolerance approach to bribery, extortion fraud, and money laundering crimes. All our employees and suppliers must follow our strict policies on ethical standards/business integrity that prohibits bribery and corruption in any form. The employees handbook and employment contracts have incorporated anti-corruption, anti-bribery and malpractices clauses, which strictly prohibit to offer, give, demand or accept any undue advantage, such as money, favours, gifts, discounts, services, loans, contracts, etc., to or from any person in order to obtain or retain business. All employees are required to declare any conflicts of interests in the execution of their roles and duties.

Transactions in large monetary sums are processed through bank transactions which require authorised signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate. In the 2022 Reporting Period, same as the 2021 Reporting Period, there was no bribery or corruption cases against the Group or its employees reported.

B8. Community Investment

The Group strives to implement corporate social responsibility to make continuous contributions to the building of a cohesive and caring society. The Group seeks to foster employees' sense of social responsibility, thus encouraging them to participate in charitable activities and devote their spare time to help the needy. Furthermore, the Group supported the local communities by prioritising its purchases with the local suppliers. The Group continues to encourage and educate all our employees to participate in environmental protection activities.

The Group's properties, shopping malls and management services business continued to provide 141 jobs to low skilled city and country-side workers in the 2022 Reporting Period, and to encourage and support employees to provide voluntary services to the community on paid leave on application.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of directors (the "Board") reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

CORPORATE CULTURE

The Board leads to establish, promote and continually reinforce the desired corporate culture of the Company which is underpinned by our corporate values of committing highest standard of business ethics and integrity. Our sound corporate culture reaches all levels of the Group, and aligns with the Company's mission, corporate values and strategies.

BOARD OF DIRECTORS

1. The Board

The Company is managed through the Board which currently comprises six Directors, comprising Mr. Li Chao Bo (Chairman and Chief Executive Officer) and Mr. Ji Jiaming as Executive Directors, Mr. Zhang Guiging as Non-executive Director and Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally as Independent Non-executive Directors. Independent Non-executive Directors comprise 50% of the Board. The Company has compiled with the Listing Rules requirement of Independent Non-executive Directors representing at least one-third of the Board throughout the year ended 31 December 2022. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 11 to 13 of this annual report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the chief executive officer.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

The Board conducts scheduled meetings on a regular basis. Ad-hoc meetings are convened when circumstances require; the Board had met four times in the year ended 31 December 2022 to consider, review and approve significant matters including the 2021 annual results, the 2022 interim results, and refreshment of general mandate.

CORPORATE GOVERNANCE REPORT

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules.

To enhance the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established an audit committee, a remuneration committee and a nomination committee. Detailed descriptions of each of these committees are set out below. All of these committees adopt, as far as practicable, the principles, procedures and arrangements of the Board in relation to the scheduling and proceeding of meetings, notice of meetings and inclusion of agenda items, records and availability of minutes.

2. Appointment, Re-election and Removal of Directors

At each annual general meeting of the Company ("AGM"), one-third of the Directors are required to retire from office by rotation. At 31 December 2022, all Independent Non-executive Directors are appointed for a fixed term not exceeding three years and all Non-executive Directors (except for chairman) are subject to the requirements of retirement by rotation and re-election by Shareholders at the AGM in accordance with the Company's articles of association (the "Articles").

The names and biographical details of the Directors who will offer themselves for election or re-election at the forthcoming AGM are set out in the circular to Shareholders to assist Shareholders in making an informed decision on their elections.

The Company establishes a nomination committee participating in the appointment of new Directors. In evaluating whether an applicant is suitable to act as a Director, the nomination committee will consider the experience and skills of the applicant, as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the applicant is appointed as an Independent Non-executive Director, the Board will also consider his independence. During the year ended 31 December 2022, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the Shareholders at the last AGM.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws. The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

3. Chairman and Chief Executive Officer

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2022, the Company had applied the principles and complied with the requirements set out in the CG Code in Appendix 14 of the Listing Rules.

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo is acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO"). The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues at the Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. The Chief Executive Officer is in charge of the Company's management and operating businesses. The Chief Executive Officer is also responsible for developing strategic plans and formulating the Company practices and procedures, business objectives, and risk assessment for the Board's approval.

BOARD COMMITTEES

1. Audit Committee ("AC")

During the year ended 31 December 2022, the AC comprised three Independent Non-executive Directors, namely Mr. Ng Chi Ho, Dennis (AC Chairman), Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally. The company secretary (the "Company Secretary") of the Company serves as the secretary of the AC and minutes of the meetings are sent to the members of the AC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the AC is two.

At least one of the members of the AC has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

CORPORATE GOVERNANCE REPORT

The Board expects the members of the AC to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the AC in order to comply with the requirement of the CG Code. In December 2015, the Board adopted a revised terms of reference of the AC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

Under its revised terms of reference, the AC has been delegated the corporate governance functions of the Board to monitor, procure and manage corporate compliance within the Group.

The operations of the AC are regulated by its terms of reference. The main duties of the AC include:

- to review and supervise the Group's financial reporting process including the review of interim and annual results of the Group;
- to review the external auditors' appointment, remuneration and any matters relating to resignation or termination;
- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and
- to realise corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

Works performed during the year included:

(i) considered and approved the terms of engagement of the external auditor and their remuneration;

(ii) reviewed the annual financial statements for the year ended 31 December 2021 and the interim financial statements for the six months ended 30 June 2022;

(iii) reviewed the Group's risk management and internal control system; and

(iv) reviewed the Company's policies and practices on corporate governance.

The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The AC met three times during the year ended 31 December 2022 with an attendance rate of 100% and reviewed the annual results of the Group for the year ended 31 December 2021 and the interim results of the Group for the six months ended 30 June 2022. The Company Secretary keeps all the minutes of the AC meeting.

2. Remuneration Committee ("RC")

During the year ended 31 December 2022, the RC comprised three Independent Non-executive Directors namely Mr. Kwok Kin Wa (RC Chairman), Mr. Ng Chi Ho, Dennis and Ms. Kwong Mei Wan, Cally. The Company Secretary serves as the secretary of the RC and minutes of the meetings are sent to the members of the RC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the RC is two.

On 29 December 2022, the Board adopted a revised terms of reference of the RC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the RC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The RC has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the RC.

Major responsibilities and functions of the RC are:

- to make recommendations to the Board on the issuer's policy and structure for all remuneration of Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Works performed during the year included:

(i) reviewed and approved the remuneration of all Executive Directors of the Company for the year of 2022; and

(ii) reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

The RC met two times during the year ended 31 December 2022 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management. The fees of the Directors are subject to the Shareholders' approval at general meetings of the Company. Other emoluments are reviewed by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration payable to the Directors are set out in Note 9 to consolidated financial statements.

3. Nomination Committee ("NC")

During the year ended 31 December 2022, the NC comprised three Independent Non-executive Directors namely Mr. Kwok Kin Wa (NC Chairman), Mr. Ng Chi Ho, Dennis and Ms. Kwong Mei Wan, Cally. The Company Secretary serves as the secretary of the NC and minutes of the meeting is sent to the members of the NC within a reasonable time after the meeting. The quorum necessary for the transaction of business by the NC is two.

The operations of the NC are regulated by its terms of reference. The main duties of the NC include:

- to implement the nomination policy laid down by the Board;
- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the Chairman and the Chief Executive Officer; and
- to report to the Board the findings and recommendations of the committee at the next meeting of the Board following each NC meeting.

Works performed during the year included:

(i) to make recommendations to the Board in respect of the re-appointment and re-election of retiring Directors at 2022 AGM.

In February 2015, the Board adopted a revised terms of reference of the NC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the NC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The NC met two times during the year ended 31 December 2022 with an attendance rate of 100%. To review its terms of reference and re-election of retiring Directors, the nomination procedures basically follow the Article 111 which empowers the Board from time to time and at any time to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

During the year, the Company has formulated a policy for nomination of directors with the following procedures:

1. The Nomination Committee shall consider suitability of an individual pursuant to the Listing Rules, the Board Nomination Policy and Board Diversity Policy, and the independence of an individual for the position of independent non-executive director.

2. The Nomination Committee shall make recommendation to the Board's for consideration.

3. The Board shall consider the individual recommended by the Nomination Committee pursuant to the Listing Rules (including the corporate governance code as Appendix 14 to the Listing Rules), the Board Nomination Policy and Board Diversity Policy.

4. For casual vacancy and addition of new directors, the Board shall confirm the appointment of the individual and the new director shall be subjected to re-election by shareholders of the Company at the next annual general meeting in accordance with the articles of association of the Company.

5. For re-appointment of retiring directors, the Board shall, based on the recommendation of Nomination Committee, recommend the retiring directors to stand for re-election at the annual general meeting. The appointment of retiring directors shall be subjected to the approval of shareholder at the annual general meeting.

6. The Board reserves the right to final decision on the matters in relation to the selection and appointment of directors.

DISCLOSURE OF INSIDE INFORMATION

The Group has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Unless the inside information falls within any of the safe harbors as permitted under the Securities and Futures Ordinance, the Group is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner. All Directors, Senior Management and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will in a timely manner disclose the information to the public as soon as reasonably practicable. The policy and its effectiveness are subject to review on a regular basis.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICY

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and business partners to raise concerns, in confidence and anonymity, to the Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

The Company has also established an anti-corruption policy and system to promote and support anti-corruption laws and regulations. The anti-corruption policy sets out the basic standard of conduct which applies to all directors and employees of the Company. It also provides guidance on accepting advantages and handling conflicts of interest.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy, under which the Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. During the reporting period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from finance and corporate management, to professional qualifications in accounting fields. The Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board. The Board currently has one female Director out of six Directors. The current gender diversity of the Board at 16.7% of the Directors being female Directors. The gender diversity of the Board was achieved throughout the year under review as the Board adhered to the Board Diversity Policy and placed significant emphasis on diversity (including gender diversity). The Company will use its reasonable endeavors to maintain gender diversity at least at one female director in the Board, subject to any changes to the business model and needs that requires material deviation from the current Board gender diversity.

MECHANISM REGARDING INDEPENDENT VIEWS TO THE BOARD

The Board has implemented different ways to ensure independent views and input are available to the Board. The implementation and effectiveness of such mechanism was reviewed on an annual basis. The Board considers that such mechanism has been implemented properly and effectively.

The mechanism is disclosed below:

(i) Composition

The Board ensures the appointment of at least three INEDs and at least one-third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time), with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, INEDs will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) Independence Assessment

The Nomination Committee strictly adheres to the Nomination Policy with regard to the nomination and appointment of INEDs, and is mandated to assess annually the independence of INEDs to ensure that they can continually exercise independent judgement.

(iii) Compensation

No equity-based remuneration with performance-related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board Decision Making

The Directors (including INEDs), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution.

A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

(v) Board Evaluation

The Board assesses and reviews the time contributed by every INED and their attendance to meetings of the Board and the board committees so as to ensure that every INED has devoted sufficient time to the Board to discharge his/her responsibilities as a Director of the Company.

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

ATTENDANCE AT MEETINGS

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting, Nomination Committee Meeting and the 2022 annual general meeting ("AGM") are as follows:

	Numbers of meetings attended/held				
	Board Meetings	**Audit Committee Meetings ("AC")**	**Remuneration Committee Meetings ("RC")**	**Nomination Committee Meeting ("NC")**	**2022 AGM**
Attendance/Number of meetings held					
Executive Directors					
Mr. Li Chao Bo *(Chairman and Chief Executive Officer)*	8/8	N/A	N/A	N/A	1/1
Mr. Ji Jiaming	8/8	N/A	N/A	N/A	1/1
Mr. Ye Tianfang *(Chief Executive Officer)*[1]	3/5	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Zhang Guiqing	8/8	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Ng Chi Ho, Dennis *(AC Chairman)*	8/8	3/3	2/2	2/2	1/1
Mr. Kwok Kin Wa *(RC and NC Chairman)*	8/8	3/3	2/2	2/2	1/1
Ms. Kwong Mei Wan, Cally	8/8	3/3	2/2	2/2	1/1

Note:

1. Mr. Ye Tianfang was resigned on 25 July 2022 and there were five meetings of the Board during his tenure.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised as below:

(1) Code Provision A.2.1

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo is acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO"). The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

CORPORATE GOVERNANCE REPORT

(2) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman (the "Chairman") of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the role of the chairman provides the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

Each newly appointed Director receives a comprehensive and formal induction to ensure that he/she has an appropriate understanding of (i) the business and operations of the Group; (ii) his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements; (iii) the corporate governance code of the Company; and (iv) the Model Code for Securities Transactions by Directors of Listed Issuers.

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors confirmed that they have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

DIVIDEND POLICY

Under the dividend policy adopted by the Company, dividends may be declared from time to time and be paid to shareholders provided that the Group is profitable and without affecting the normal operations of the Group. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors including (1) the Group's financial performance; (2) the liquidity position and capital requirements of the Group; and (3) any other factors that the Board may consider appropriate.

COMPANY SECRETARY

The Company Secretary, Mr. Chan Hoi Yin Anthony, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Chief Executive Officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. Chan Hoi Yin Anthony has attended relevant professional seminars to update his skills and knowledge. He has complied with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring sound and effective internal control systems and risk management to safeguard the Shareholders' interests and the Company's assets. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

1. Risk Management

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2022, no significant risk was identified.

2. Internal Control

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group. The Audit Committee has received a report from the outsourced internal auditor summarizing audits concluded in the year. The Audit Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board acknowledges its responsibility for preparing the Group's accounts which give a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumptions or qualification as necessary.

In preparing the accounts 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 and reasonable.

The management provides explanation and information to the Board to enable the Board to make informed assessments of the financial and other information put before the Board for approval.

The Board endeavours to ensure the making of balanced, clear and understandable assessments of the Group's position and prospects and extending the coverage of such information to include annual reports, interim reports, price-sensitive announcements and financial disclosures as required under the Listing Rules, reports to regulators as well as any information that is required to be disclosed pursuant to statutory requirements.

2. Auditor and their Remuneration

For the year ended 31 December 2022, the total remuneration in respect of audit service paid and payable to the Company's auditor, Confucius International CPA Limited, amounted to HK$780,000.

COMMUNICATION WITH SHAREHOLDERS

The Company strives to convey to Shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and to address the Shareholders concerned. Their views are communicated to the Board comprehensively.

1. Disclosure of information on Company's website

The Company communicates with the Shareholders through the publication of annual, interim reports, circulars, results announcements and press releases. All communications to Shareholders are also available on the Company's website at www.city-infrastructure.com.

2. General meetings

The Company had provided sufficient notice for Shareholders on all general meetings of the Company. The AGM provides a useful platform for Shareholders to exchange views with the Board. The Chairman and the Board members are available to answer Shareholders' questions.

3. Voting by poll

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

All votes of the Shareholders at a general meeting must be taken by poll according to the Listing Rules. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to the Article.

The Board has conducted a review of the implementation and effectiveness of the shareholder communication policy of the Company during the year under review. Having considered the multiple channels of communication in place, the Board is satisfied that an effective shareholder communication policy has been properly implemented throughout the year ended 31 December 2022.

RIGHT TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PUT FORWARD PROPOSALS

In accordance with the provisions under the Articles of Association of the Company, extraordinary general meetings can be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH INVESTORS

The Board recognises that effective communication with investors is the key to establish investor confidence and to attract new investors.

1. Results announcement

Annual reports and interim reports are prepared and issued to all Shareholders within the prescribed period stipulated by the Listing Rules. All results announcements and reports are posted on the Company's website and the Stock Exchange's website. The Company can still provide the Shareholders and investors with an adequate degree of transparency and information of the financial position of the Company.

2. Regular release of corporate information

The Group regularly releases corporate information such as the latest news of the Group's developments on its Company's website. The public are welcome to give their comments and make their enquiries through the Company's website and the management will give their prompt response.

INDEPENDENT AUDITOR'S REPORT

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited
Certified Public Accountants

香港灣仔莊士敦道181號大有大廈15樓1501-08室
Rooms 1501-08,15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
電話 Tel: (852) 3103 6980
傳真 Fax: (852) 3104 0170

TO THE MEMBERS OF CHINA CITY INFRASTRUCTURE GROUP LIMITED
中國城市基礎設施集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 154, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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.

Valuation of investment properties

Reference is made to Note 16 to the consolidated financial statements.

Management has estimated the fair value of the Group's investment properties to be approximately HK$1,121,364,000 with a fair value loss amounting to approximately HK$3,936,000 for the year recorded in the consolidated statement of profit or loss with reference to valuations performed by the independent external valuers.

Due to the significant financial impacts of the valuations which is dependent on certain key assumptions and inputs that require significant management's judgements and estimations, we identified the valuation of investment properties as a key audit matter.

How our audit addressed the key audit matter

Our procedures in relation to valuation of investment properties included:

- Assessing the independent external valuers' competence, capabilities, independence and objectivity;
- Assessing the valuation methodologies used and the appropriateness of the key assumptions and data adopted in the valuation based on our knowledge of the property industry;
- Evaluating, on a sample basis, the reasonableness of the significant unobservable and the accuracy of the input data used in the valuation by comparing them to, where relevant, existing tenancy profiles, and available public information of similar comparable properties;
- Discussing the valuation with the external valuer and management and challenging key estimates and inputs adopted in the valuation including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors; and
- Conducting site visits to all investment properties.

We consider the key assumptions and estimates adopted in the valuation supported by available evidence and reasonable.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does 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 THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance 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 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

Confucius International CPA Limited
Certified Public Accountants
Tsang Kwong Kin
Practising Certificate Number: P07368

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 (Restated)
CONTINUING OPERATIONS			
Revenue	7(a)	**65,593**	64,331
Cost of sales		**(32,368)**	(21,475)
Gross profit		**33,225**	42,856
Fair value loss of investment properties	16	**(3,936)**	(76,495)
Gain on disposal of subsidiaries	34	**711**	5
Allowance for expected credit losses of trade and other receivables		**(5,530)**	(2,261)
Other operating income	7(b)	**4,606**	7,859
Other operating expenses		**(6,882)**	(1,907)
Selling and distribution expenses		**(738)**	(2,332)
Administrative expenses		**(36,384)**	(49,919)
Finance costs	8	**(75,436)**	(95,859)
Loss before tax		**(90,364)**	(178,053)
Income tax (expense) credit	10	**(16,889)**	19,124
Loss for the year from continuing operations	11	**(107,253)**	(158,929)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	12	**(6,963)**	(8,182)
Loss for the year		**(114,216)**	(167,111)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(107,253)**	(158,929)
– from discontinued operation		**(6,963)**	(8,182)
		(114,216)	(167,111)
Loss per share	14	**HK Cents**	HK Cents (Restated)
From continuing and discontinued operations			
– Basic		**(3.65)**	(5.34)
– Diluted		**(3.65)**	(5.34)
From continuing operations			
– Basic		**(3.43)**	(5.08)
– Diluted		**(3.43)**	(5.08)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTE	2022 HK$'000	2021 HK$'000 (Restated)
Loss for the year		**(114,216)**	(167,111)
Other comprehensive (expense) income for the year:			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(84,421)**	39,189
Release of translation reserve upon disposal of subsidiaries	34	**(24,013)**	–
Other comprehensive (expense) income for the year		**(108,434)**	39,189
Total comprehensive expense for the year (net of tax)		**(222,650)**	(127,922)
Total comprehensive expense for the year attributable to owners of the Company			
– from continuing operations		**(218,946)**	(121,820)
– from discontinued operation		**(3,704)**	(6,102)
		(222,650)	(127,922)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**4,483**	5,874
Investment properties	16	**1,121,364**	2,131,707
Goodwill	17	**–**	151,598
Right-of-use assets	18(a)	**16,821**	22,628
		1,142,668	2,311,807
Current assets			
Inventories	19	**15**	16
Inventory of properties	20	**155,202**	191,427
Trade and other receivables	21	**24,438**	56,877
Promissory note receivable	22	**62,898**	–
Pledged bank deposits	23	**–**	100,605
Bank balances and cash	23	**17,084**	17,428
		259,637	366,353
TOTAL ASSETS		**1,402,305**	2,678,160
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**312,828**	312,828
Reserves		**479,636**	702,286
		792,464	1,015,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	**2022** **HK$'000**	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*32*	**119,607**	364,810
Borrowings – due after one year	*27*	**336,970**	470,897
Deposits received for lease of properties	*26*	**5,381**	6,768
Lease liabilities – due after one year	*18(b)*	**1,420**	3,974
		463,378	846,449
Current liabilities			
Trade and other payables	*24*	**41,304**	143,770
Contract liabilities	*25*	**1,170**	1,070
Deposits received for lease of properties	*26*	**5,448**	6,220
Tax payable		**65,103**	50,456
Borrowings – due within one year	*27*	**30,682**	142,622
Convertible note – due within one year	*28*	**–**	416,404
Promissory note – due within one year	*29*	**–**	53,229
Lease liabilities – due within one year	*18(b)*	**2,756**	2,826
		146,463	816,597
TOTAL LIABILITIES		**609,841**	1,663,046
TOTAL EQUITY AND LIABILITIES		**1,402,305**	2,678,160
NET CURRENT ASSETS (LIABILITIES)		**113,174**	(450,244)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,255,842**	1,861,563

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 154 were approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

Li Chao Bo
DIRECTOR

Ji Jiaming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Special reserve (note a)	Capital reserve (note b)	Translation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020 and 1 January 2021	312,828	1,741,104	67,363	6,702	(184)	303	1,335	(986,415)	1,143,036
Loss for the year	–	–	–	–	–	–	–	(167,111)	(167,111)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	39,189	–	39,189
Total comprehensive expense for the year	–	–	–	–	–	–	39,189	(167,111)	(127,922)
At 31 December 2021 and 1 January 2022	312,828	1,741,104	67,363	6,702	(184)	303	40,524	(1,153,526)	1,015,114
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(114,216)**	**(114,216)**
Release of translation reserve upon disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(24,013)**	**-**	**(24,013)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**(84,421)**	**-**	**(84,421)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(108,434)**	**(114,216)**	**(222,650)**
Release of convertible notes reserve upon disposal of subsidiaries	**-**	**-**	**(67,363)**	**-**	**-**	**-**	**-**	**67,363**	**-**
At 31 December 2022	**312,828**	**1,741,104**	**-**	**6,702**	**(184)**	**303**	**(67,910)**	**(1,200,379)**	**792,464**

Notes:

(a) The special reserve represents:

(i) the difference between the nominal value of the share capital issued by Wah Yuen Foods International Limited, a subsidiary of the Company, and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation; and

(ii) the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation.

(b) The capital reserve represents:

In 2020, the Group acquired additional interests in a subsidiary and accounted for as an equity transaction. The difference between the fair value of the non-controlling interests and the fair value of the consideration paid was recognised in capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before tax		
From continuing operations	**(90,364)**	(178,053)
From discontinued operation	**(6,963)**	(8,182)
	(97,327)	(186,235)
Adjustments for:		
Interest expenses	**75,436**	96,193
Interest income	**(1,580)**	(96)
Depreciation of property, plant and equipment	**183**	1,578
Depreciation of right-of-use-assets	**3,012**	8,925
Impairment loss on property, plant and equipment	**525**	–
Impairment loss on right-of-use assets	**1,755**	–
Impairment loss on inventory of properties	**2,234**	–
Allowance for expected credit losses of trade and other receivables	**5,902**	2,261
Loss on disposal of property, plant and equipment	**2**	4
Loss on write-off of property, plant and equipment	**606**	2,157
Fair value loss of investment properties	**3,936**	76,495
Gain on disposal of subsidiaries	**(711)**	(5)
Gain on early termination of lease	**–**	(944)
Operating cash flows before movements in working capital	**(6,027)**	333
Decrease in inventories	**1**	66
Decrease in inventory of properties	**8,293**	–
Decrease in trade and other receivables	**19,684**	8,323
Decrease in trade and other payables	**(36,074)**	(14,556)
Increase (decrease) in deposits received for lease of properties	**539**	(605)
Increase in contract liabilities	**177**	246
Cash used in operations	**(13,407)**	(6,193)
Income tax refunded	**–**	1,351
NET CASH USED IN OPERATING ACTIVITIES	**(13,407)**	(4,842)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000 (Restated)
INVESTING ACTIVITIES			
Additions to investment properties		**(69)**	(10,230)
Net cash (outflow) inflow on disposal of subsidiaries	34	**(687)**	9
Purchase of property, plant and equipment		**(309)**	(952)
Proceeds from disposal of property, plant and equipment		**3**	23
Withdrawal (placement) of pledged bank deposits		**100,605**	(5,302)
Interest received		**706**	96
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**100,249**	(16,356)
FINANCING ACTIVITIES			
Capital element of lease rentals paid	37	**(2,754)**	(11,265)
Interest element of lease rentals paid	37	**(135)**	(636)
Interest paid	37	**(16,554)**	(38,143)
New borrowings raised		**66,210**	165,938
Repayment of borrowings		**(118,547)**	(119,578)
NET CASH USED IN FINANCING ACTIVITIES		**(71,780)**	(3,684)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,062**	(24,882)
Effect of foreign exchange rate changes		**(15,406)**	15,192
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**17,428**	27,118
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**17,084**	17,428
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**17,084**	17,428

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

China City Infrastructure Group Limited (the "Company") is an exempt company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 June 2003. The directors of the Company consider Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, as the substantial shareholder of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") are property investment, property development and property management in the People's Republic of China (the "PRC"). The Group ceased the hotel business during the year.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are detailed below.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

The principal accounting policies are set out below.

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the result of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from Contracts with Customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (base on the contract terms), the Group recognises revenue in the amount to which the Group has the right to invoice.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets in functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position, except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Inventories

Inventories include consumables and spare parts which are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Inventory of properties

Inventory of properties which are properties held for sale, are classified as current assets at the lower of cost and net realisable value.

The costs of properties held for sale consist of construction expenditures, amounts capitalised in respect of amortisation of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value represents the estimated selling price for the properties less estimated costs necessary to make the sales. Costs necessary to mark the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

The Group transfers a property from inventory of properties to investment property when there is a change in use to hold the properties to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the properties at the date of transfer and its previous carrying amount is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables from property management services arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, pledged bank deposit, and bank balances and cash), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as 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.

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

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- 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; and
- 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 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 aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower 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 debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, 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.

(iii) Credit-impaired financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and lease receivables, when the amounts are over one year 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. 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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit rating where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Perpetual instruments which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, deposits received for lease of properties, borrowings and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible notes

The component parts of the convertible notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments *(continued)*

Convertible notes (continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

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 is recognised in profit or loss.

Impairment on property, plant and equipment, and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant assets is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, and right-of-use assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss is subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

***The Group as a lessee** (continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- The lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to be reversed 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purpose 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 entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the settlement of monetary items, and from the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation, that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of a control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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. 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.

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

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme for Hong Kong employees and state-managed retirement benefits schemes for employees in the People's Republic of China (the "PRC") are recognised as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are 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. Such grants are presented under "other operating income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or 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 the Group's parent.

(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 other entity is an associate of the third entity;

(v) the entity has a post-employment benefit plan for the benefits 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); or

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

(a) Depreciation on property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of their useful lives.

(b) Estimated impairment on property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the property, plant and equipment and right-of-use assets less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, an impairment loss may arise. During the year ended 31 December 2022, the impairment loss recognised for property, plant and equipment and right-of-use assets amounted to approximately HK$525,000 and HK$1,755,000 respectively (2021: Nil and Nil respectively).

(c) Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 21 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(d) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2022 at their fair value of approximately HK$1,121,364,000 (2021: approximately HK$2,131,707,000). The fair value was based on a valuation on these properties conducted by an independent professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. Details of the fair value measurement of investment properties are disclosed in Note 16 to the consolidated financial statements.

(e) Estimated impairment of inventory of properties

The Group determines the net realisable value of inventory of properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market condition, valuations and estimated unit selling price from independent property valuers and internally available information and exercised considerable judgement. During the year ended 31 December 2022, the impairment loss recognised for inventory of properties amounted to approximately HK$2,234,000 (2021: Nil).

(f) Recognition of current taxes and deferred taxes

There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Group's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2022 ***HK$'000***	2021 *HK$'000*
Financial assets		
Financial assets at amortised cost	**100,121**	158,088
Financial liabilities		
Financial liabilities at amortised cost	**423,961**	1,246,523

The Group's major financial instruments include pledged bank deposit, bank balances and cash, promissory note receivable, borrowings, trade and other receivables, trade and other payables, convertible note and promissory note. Details of these financial instruments are disclosed in the respective notes.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Categories of financial instruments (continued)

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk management

Certain assets and liabilities of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2022 *HK$'000*	**Liabilities 2022 *HK$'000***	Assets 2021 *HK$'000*	Liabilities 2021 *HK$'000*
Renminbi ("RMB")	**34,382**	**412,548**	157,112	722,925

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK$.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK$, the effect on the profit or loss and other comprehensive income for the year is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Decrease/increase in other comprehensive income	**18,908**	28,291
Increase/decrease in profit or loss	**3**	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group is required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interests are at floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

				2022				
	Average interest rate	Within 1 month or on demand *HK$'000*	1-3 months *HK$'000*	3 months– 1 year *HK$'000*	1-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Trade and other payables	NA	41,304	–	–	–	–	41,304	41,304
Borrowings	7.1%	2,177	12,974	40,898	301,925	73,556	431,530	367,652
Lease liabilities	5.4%	241	481	2,165	1,435	–	4,322	4,176
Deposits received for lease of properties	NA	–	3,325	1,599	5,735	170	10,829	10,829
		43,722	16,780	44,662	309,095	73,726	487,985	423,961

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

	2021							
	Average interest rate	Within 1 month or on demand HK$'000	1-3 months HK$'000	3 months– 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	N/A	143,583	–	–	–	–	143,583	143,583
Borrowings	6.51%	57,146	10,708	148,257	328,440	243,187	787,738	613,519
Lease liabilities	5.4%	241	482	2,168	4,326	–	7,217	6,800
Convertible note	9.19%	–	–	451,053	–	–	451,053	416,404
Promissory note	3.7%	–	–	54,375	–	–	54,375	53,229
Deposits received for lease of properties	N/A	–	5,175	549	7,264	–	12,988	12,988
		200,970	16,365	656,402	340,030	243,187	1,456,954	1,246,523

Credit risk and impairment provision

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables from property development business, property investment business, property management services and hotel operation

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances from property management services and lease receivables individually or based on provision matrix.

During the year ended 31 December 2022, allowance for expected credit losses of trade receivables amounted to approximately of HK$5,675,000 (2021: HK$17,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment provision (continued)

Other receivables, promissory note receivable and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on other receivables, promissory note receivable and bank balances based on 12m ECL.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date. Based on the Group's internal credit rating, allowance for expected credit losses of other receivables amounted to approximately of HK$227,000 (2021: HK$2,244,000) during the year ended 31 December 2022.

The management makes individual assessment on the recoverability of promissory note receivable based on past experience and also qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of theses amount since initial recognition and the Group provided impairment based on 12m ECL. The management of the Group considers the ECL for the promissory note receivable is insignificant and therefore no loss allowance was recognised during the year.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings. The Group's concentration of credit risk by geographical locations is in The People's Republic of China ("PRC") as all trade receivables from property management services and lease receivables are arisen in the PRC for both years.

Other than above, the Group does not have any other significant concentration of credit risk.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment provision (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2022	*Notes*	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *HK'000*
Trade receivables	*21*	N/A	(Note)	Lifetime ECL (provision matrix)	12,187
Other receivables	*21*	N/A	Low Risk	12 month ECL	9,902
Bank balances and cash	*23*	AA+	N/A	12 month ECL	17,084
Promissory note receivable	*22*	N/A	Low Risk	12 month ECL	62,898

2021	*Notes*	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *HK'000*
Trade receivables	*21*	N/A	(Note)	Lifetime ECL (provision matrix)	20,291
Other receivables	*21*	N/A	Low Risk	12 month ECL	13,418
Pledged bank deposits	*23*	AA+	N/A	12 month ECL	100,605
Bank balances and cash	*23*	AA+	N/A	12 month ECL	17,428

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property investment operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, fixed-rate promissory note receivable and lease liabilities. The Group is also exposed to cash-flow interest rate risk in relation to variable-rate bank balances, variable-rate bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and benchmark interest rate published by the PRC government arising from the Group's RMB denominated borrowings. The Group aim at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below, which includes interest rate exposure on variable interest-bearing liabilities and deposits, has been determined based on the exposure to interest rates for all non-derivative instruments at the end of the reporting date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used, which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables held constant, the Group's loss for the year ended 31 December 2022 would increase/decrease by approximately HK$2,076,000 (2021: loss for the year would increase/decrease by approximately HK$1,795,000).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values measurement

(i) Financial instruments carried at fair value

Financial instruments measured at fair value at the end of each reporting period are valued across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which no significant input is based on observable market data

At 31 December 2022 and 2021, there were no financial instruments carried at any level of the fair value hierarchy.

(ii) Fair value of financial instruments carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities not measured at fair value recognised in the consolidated financial statements approximate their fair values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total equity.

Management considers the gearing ratio at the end of reporting periods as follows:

	2022	2021
	HK$'000	*HK$'000*
Borrowings, net of cash and cash equivalents	**350,568**	495,486
Convertible note	**–**	416,404
Promissory note	**–**	53,229
Total net borrowings	**350,568**	965,119
Equity attributable to owners of the Company	**792,464**	1,015,114
Total net borrowings to equity attributable to owners of the Company ratio	**0.44**	0.95

The decrease in the gearing ratio during the year resulted primarily from the decrease in convertible note and promissory note of approximately HK$416 million and HK$53.2 million respectively.

6. SEGMENT INFORMATION

The accounting policies for the operating segments are the same as the Group's accounting policies in the preparation of the Group's consolidated financial statements.

The Group's operating segments are identified based on the components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's continuing operating segments are as follows:

- Property Development Business Segment, which engages in development of property projects in the PRC
- Property Investment Business Segment, which engages in leasing of investment properties in the PRC
- Property Management Business Segment, which engages in provision of property management and other related services in the PRC

The Group's discontinued operating segment is as follow:

- Hotel Business Segment, which engages in operation of a hotel in the PRC

An operating segment regarding the hotel business segment was discontinued, which are described in more detail in Note 12.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments.

For the year ended 31 December 2022

	Continuing Operations				Discontinued Operation	
	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Property Management Business *HK$'000*	Subtotal *HK$'000*	Hotel Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	10,592	36,754	18,247	65,593	–	65,593
RESULT						
Segment operating results	(1,987)	14,831	924	13,768	(6,963)	6,805
Fair value loss of investment properties	–	(3,936)	–	(3,936)	–	(3,936)
Gain on disposal of subsidiaries				711	–	711
Unallocated corporate income				1,161	–	1,161
Unallocated corporate expenses				(26,632)	–	(26,632)
Finance costs				(75,436)	–	(75,436)
Loss before tax				(90,364)	(6,963)	(97,327)
Income tax expense				(16,889)	–	(16,889)
Loss for the year				(107,253)	(6,963)	(114,216)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2021

	Continuing Operations				Discontinued Operation	
	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Property Management Business *HK$'000*	Subtotal *HK$'000*	Hotel Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	–	39,658	24,673	64,331	10,754	75,085
RESULT						
Segment operating results	(1,014)	1,121	6,616	6,723	(7,848)	(1,125)
Fair value loss of investment properties	–	(76,495)	–	(76,495)	–	(76,495)
Gain on disposal of subsidiaries				5	–	5
Unallocated corporate income				4,069	–	4,069
Unallocated corporate expenses				(16,496)	–	(16,496)
Finance costs				(95,859)	(334)	(96,193)
Loss before tax				(178,053)	(8,182)	(186,235)
Income tax credit				19,124	–	19,124
Loss for the year				(158,929)	(8,182)	(167,111)

Segment operating results represents the profit earned by/(loss incurred) each segment without allocation of finance costs and central administration costs including staff costs, directors' emoluments and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Continuing Operation						Discontinued Operation			
	Property Development Business		Property Investment Business		Property Management Business		Hotel Business		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS										
Goodwill	**-**	–	**-**	151,598	**-**	–	**-**	–	**-**	151,598
Inventory of properties	**155,202**	191,427	**-**	–	**-**	–	**-**	–	**155,202**	191,427
Investment properties	**-**	–	**1,121,364**	2,131,707	**-**	–	**-**	–	**1,121,364**	2,131,707
Property, plant and equipment	**7**	50	**284**	397	**333**	724	**-**	–	**624**	1,171
Other assets	**5,118**	25,757	**14,663**	121,037	**8,637**	11,939	**13**	2,259	**28,431**	160,992
Segment assets	**160,327**	217,234	**1,136,311**	2,404,739	**8,970**	12,663	**13**	2,259	**1,305,621**	2,636,895
Unallocated corporate assets									**96,684**	41,265
Consolidated assets									**1,402,305**	2,678,160
LIABILITIES										
Segment liabilities	**82,265**	87,484	**346,816**	901,523	**6,768**	8,469	**3,645**	100,398	**439,494**	1,097,874
Unallocated corporate liabilities									**170,347**	565,172
Consolidated liabilities									**609,841**	1,663,046
									Total	
									2022	2021
									HK$'000	*HK$'000*
OTHER INFORMATION										
Additions to property, plant and equipment	**-**	–	**2**	131	**307**	817	**-**	4	**309**	952
Additions to investment properties	**-**	–	**69**	10,230	**-**	–	**-**	–	**69**	10,230
Depreciation and amortisation	**35**	103	**84**	133	**39**	181	**-**	1,128	**158**	1,545
Impairment loss on right-of-use assets	**-**	–	**-**	–	**-**	–	**1,755**	–	**1,755**	–
Impairment loss on inventory of properties	**2,234**	–	**-**	–	**-**	–	**-**	–	**2,234**	–
Loss on disposal of property, plant and equipment	**-**	–	**2**	4	**-**	–	**-**	–	**2**	4
Loss on write-off of property, plant and equipment	**-**	–	**-**	–	**606**	–	**-**	2,157	**606**	2,157
Write-off of other payable	**-**	–	**-**	168	**-**	306	**-**	–	**-**	474

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets, other than bank balances and cash which are used for corporate financing and other financial assets, are allocated to operating segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities, other than convertible note and other financial liabilities, are allocated to operating segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed as below:

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Hong Kong	**–**	–	**4,008**	6,687
The PRC	**65,593**	64,331	**1,138,660**	2,305,120
	65,593	64,331	**1,142,668**	2,311,807

Information of major customers

The Group has no customer (2021: Nil) which contributed more than 10% of the revenue of the Group during the year.

7. REVENUE AND OTHER OPERATING INCOME

An analysis of revenue and other operating income is as follows:

	2022	2021
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
(a) Revenue from contracts with customers		
Sales of properties	**10,592**	–
Property management income	**18,247**	24,673
	28,839	24,673
Rental income from property investment business	**36,754**	39,658
Total revenue	**65,593**	64,331
Timing of revenue recognition:		
Recognised at a point in time	**10,592**	–
Recognised over time	**18,247**	24,673
	28,839	24,673
(b) Other operating income		
Interest income	**1,580**	96
Government grants	**168**	181
Compensation income	**2,470**	2,588
Write-off of other payables	**–**	554
Gain on waiver of directors' salaries payable *(Note 9(e))*	**–**	3,940
Sundry income	**388**	500
Total other operating income	**4,606**	7,859

During the year ended 31 December 2022, the Group recognised government grants of approximately HK$168,000 (2021: approximately HK$181,000) in respect of Employment Support Scheme and Reimbursement of Maternity Leave Pay Scheme provided by the Hong Kong Government (2021: environmental supporting scheme in the PRC).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. REVENUE AND OTHER OPERATING INCOME (continued)

Set out below is the reconciliation of the revenue from continuing operations from contracts with customers with the amounts disclosed in the segment information.

	2022	2021
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Segment revenue		
Sales of properties (a)	**10,592**	–
Provision of property management services (b)	**18,247**	24,673
Revenue from contracts with customers	**28,839**	24,673
Rental income from property investment business	**36,754**	39,658
Total revenue	**65,593**	64,331

Performance obligation for contracts with customers

a) Property development – sales of properties

Sales of properties of the Group includes car parks which were self-developed by the Group in prior years.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant car parks to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed car parks is transferred to customers, being at the point that the customer obtains control of the completed car parks and the Group has present right to payment and collection of the consideration is probable.

The Group receives a fixed amount of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits would be recognised to sales of properties when the contract value has been fully paid.

b) Property management services

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

8. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest expense on bank loans and other borrowings	**51,869**	58,188
Effective interest expense on convertible notes *(Note 28)*	**22,154**	35,547
Effective interest on promissory note *(Note 29)*	**1,146**	1,925
Interest expense on lease liabilities	**267**	199
	75,436	95,859

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follow:

(a) Directors' emoluments and retirement benefits

For the year ended 31 December 2022

Name of Director	**Fees**	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
EXECUTIVE DIRECTORS				
Mr. Li Chao Bo *(Chairman and Chief Executive Officer) (Note a)*	**300**	**4,200**	**18**	**4,518**
Mr. Ye Tianfang *(Note a)*	**–**	**–**	**–**	**–**
Mr. Ji Jiaming	**–**	**–**	**–**	**–**
NON-EXECUTIVE DIRECTOR				
Mr. Zhang Guiqing	**–**	**–**	**–**	**–**
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Ng Chi Ho, Dennis	**120**	**–**	**–**	**120**
Mr. Kwok Kin Wa	**120**	**–**	**–**	**120**
Ms. Kwong Mei Wan, Cally	**120**	**–**	**–**	**120**
	660	**4,200**	**18**	**4,878**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments and retirement benefits (continued)

For the year ended 31 December 2021

Name of Director	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EXECUTIVE DIRECTORS				
Mr. Li Chao Bo *(Chairman)*	300	4,200	18	4,518
Mr. Ye Tianfang *(Chief Executive Officer)*	–	–	–	–
Mr. Ji Jiaming	–	–	–	–
NON-EXECUTIVE DIRECTOR				
Mr. Zhang Guiqing	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Ng Chi Ho, Dennis	120	–	–	120
Mr. Kwok Kin Wa	120	–	–	120
Ms. Kwong Mei Wan, Cally	120	–	–	120
	660	4,200	18	4,878

The executive, non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note:

(a) Mr. Ye Tianfang has resigned as the Executive Director and Chief Executive Officer of the Company with effect from 25 July 2022 and Mr. Li Chao Bo has been appointed as the Chief Executive Officer with effect from 25 July 2022.

(b) Directors' termination benefits

During the year ended 31 December 2022, no termination benefits were paid to the directors (2021: Nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, no consideration was paid for making available the services of the directors of the Company (2021: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2022, there was no loans, quasi-loans or other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2021: Nil).

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

On 4 January 2021, the Company signed letter of "Consent to waive of director remuneration" with Mr. Zhang Guiqing who acted as non-executive director, Mr. Ye Tianfang and Mr. Ji Jiaming who acted as executive directors where they agreed to waive the directors' salaries from 1 January 2020 until further notice. This arrangement recognised a gain on waiver of directors' salaries payable which had been recorded as an other operating income for the year ended 31 December 2021 (Note 7(b)).

(f) Five highest paid employees

The five highest paid individuals for the year ended 31 December 2022 included one (2021: one) director of the Company. The emoluments of the remaining four (2021: four) individuals are as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Salaries and other benefits	**2,782**	1,800
Retirement benefit schemes contributions	**248**	69
	3,030	1,869

Their emoluments were within the following bands:

	2022 ***HK$'000***	2021 *HK$'000*
Within HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

(g) During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) 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

10. INCOME TAX EXPENSE (CREDIT)

	2022 HK$'000	2021 HK$'000 (Restated)
Continuing operations		
The tax expenses (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax ("EIT")	–	–
Land Appreciation Tax ("LAT") in the PRC	–	–
Current tax expenses for the year	–	–
Under provision in prior years:		
LAT in the PRC	17,873	–
Deferred tax credit for the year *(Note 32)*	(984)	(19,124)
	16,889	(19,124)

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of a qualifying group entity will be taxed at 8.25% (2021: 8.25%), and profits above HK$2 million will be taxed at 16.5% (2021: 16.5%). The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%).

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. LAT in the PRC is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2022 HK$'000	2021 HK$'000 (Restated)
Loss before tax from continuing operations	(90,364)	(178,053)
Tax at PRC EIT rate of 25% (2021: 25%)	(22,591)	(44,513)
Tax effect of expenses not deductible for tax purposes	16,643	15,644
Tax effect of income not taxable for tax purposes	(9,095)	(5,528)
Under provision in respect of prior years	17,873	–
Tax effect on tax losses not recognised	9,745	9,647
Utilisation of tax losses previously not recognised	(871)	(92)
Effect of different tax rates of subsidiaries operating in Hong Kong	5,185	5,718
Income tax expense (credit) for the year	16,889	(19,124)

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2022 HK$'000	2021 HK$'000 (Restated)
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	22,169	22,740
Retirement benefits scheme contributions, including contributions for directors	1,919	1,941
Total staff costs	24,088	24,681
Auditor's remuneration	780	900
Allowance for expected credit losses of trade and other receivables	5,530	2,261
Cost of inventory of properties sold	8,293	–
Depreciation of property, plant and equipment	183	450
Depreciation of right-of-use assets	3,012	3,221
Impairment loss on property, plant and equipment*	525	–
Impairment loss on right-of-use assets*	1,755	–
Impairment loss on inventory of properties*	2,234	–
Loss on disposal of property, plant and equipment*	2	4
Loss on write-off of property, plant and equipment	606	–

	2022 HK$'000	2021 HK$'000
Gross rental income from investment properties	(36,754)	(39,658)
Less: direct operating expenses from investment properties that generated rental income during the year	10,824	7,539
	(25,930)	(32,119)

* These expenses for the year are included in "other operating expenses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DISCONTINUED OPERATION

During the year ended 31 December 2022, the directors of the Company resolved to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in its other segments. The hotel business segment was thus classified as discontinued operation.

(a) Loss for the year from discontinued operation:

	2022	2021
	HK$'000	*HK$'000*
Revenue	**–**	10,754
Cost of sales	**–**	(12,612)
Allowance for expected credit losses of trade and other receivables	**(372)**	–
Other operating income	**27**	946
Other operating expenses	**(572)**	(50)
Administrative expenses	**(6,046)**	(6,776)
Selling and distribution expenses	**–**	(110)
Loss from operations	**(6,963)**	(7,848)
Finance costs	**–**	(334)
Loss before tax and for the year from discontinued operation	**(6,963)**	(8,182)
Attributable to:		
Owners of the Company	**(6,963)**	(8,182)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DISCONTINUED OPERATION (continued)

(b) Loss for the year from discontinued operation includes the following:

	2022	2021
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**–**	1,128
Depreciation of right-of-use assets	**–**	5,704
Loss on write-off of property, plant and equipment	**–**	2,157
Allowance for expected credit losses of trade and other receivables	**372**	–
Staff costs	**136**	5,634

(c) Cash flows from discontinued operation:

	2022	2021
	HK$'000	*HK$'000*
Net cash inflows from operating activities	**(3,116)**	99
Net cash outflows from investing activities	**–**	(2)
Net cash inflows from financing activities	**(2,186)**	(3,008)
Net cash inflows	**(5,302)**	(2,911)

13. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following:

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share from continuing and discontinued operations	**(114,216)**	(167,111)
Number of shares		
Number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,128,278,542**	3,128,278,542

(b) From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following:

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(114,216)**	(167,111)
Less: Loss for the year from discontinued operation	**6,963**	8,182
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(107,253)**	(158,929)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. LOSS PER SHARE (continued)

(c) From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK0.22 cents (2021: HK0.26 cents) per share, based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$6,963,000 (2021: approximately HK$8,182,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share has not assumed for the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvement of hotel operation *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST						
At 31 December 2020 and 1 January 2021	297	8,375	7,435	65,257	4,550	85,914
Additions	–	952	–	–	–	952
Disposal	–	–	(545)	–	–	(545)
Written-off	–	(1,837)	(2,404)	(66,043)	–	(70,284)
Exchange difference	–	197	96	786	111	1,190
At 31 December 2021 and 1 January 2022	297	7,687	4,582	–	4,661	17,227
Additions	–	309	–	–	–	309
Disposal	–	(85)	–	–	–	(85)
Written-off	–	(757)	–	–	–	(757)
Exchange difference	–	(682)	(210)	–	(318)	(1,210)
At 31 December 2022	**297**	**6,472**	**4,372**	**–**	**4,343**	**15,484**
DEPRECIATION AND IMPAIRMENT						
At 31 December 2020 and 1 January 2021	297	7,763	7,235	62,109	–	77,404
Provided for the year	–	439	15	1,124	–	1,578
Eliminated on disposal	–	–	(518)	–	–	(518)
Written-off	–	(1,763)	(2,383)	(63,981)	–	(68,127)
Exchange difference	–	177	91	748	–	1,016
At 31 December 2021 and 1 January 2022	297	6,616	4,440	–	–	11,353
Provided for the year	–	183	–	–	–	183
Impairment loss recognised in profit or loss	–	–	–	–	525	525
Eliminated on disposal	–	(80)	–	–	–	(80)
Written-off	–	(151)	–	–	–	(151)
Exchange difference	–	(588)	(230)	–	(11)	(829)
At 31 December 2022	**297**	**5,980**	**4,210**	**–**	**514**	**11,001**
CARRYING AMOUNTS						
At 31 December 2022	**–**	**492**	**162**	**–**	**3,829**	**4,483**
At 31 December 2021	–	1,071	142	–	4,661	5,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, after taking into account the residual value are depreciated on a straight-line basis at the following rates per annum:

Machinery and equipment	8%-10%
Furniture and fixtures	16%-20%
Motor vehicles	20%-30%
Leasehold improvements for hotel operation	14%

16. INVESTMENT PROPERTIES

	Investment properties in the PRC *HK$'000*
At fair value	
At 31 December 2020 and 1 January 2021	2,146,429
Addition	10,230
Fair value change recognised in profit or loss	(76,495)
Exchange difference	51,543
At 31 December 2021 and 1 January 2022	**2,131,707**
Addition	69
Transfer from inventory of properties *(Note 20)*	19,534
Derecognition upon disposal of subsidiaries *(Note 34)*	(911,765)
Fair value change recognised in profit or loss	(3,936)
Exchange difference	(114,245)
At 31 December 2022	**1,121,364**

The Group's investment properties are held under medium term leases and are situated in the PRC.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

Details of the pledged investment properties at 31 December 2022 and 2021 are set out in Note 35.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 December 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited ("Peak Vision") (2021: Peak Vision and AP Appraisal Limited) independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

16. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties(continued)

The valuation of investment properties in Wuhan (Future City Shopping Centre and Future Mansion car parks) were arrived at with the adoption of a combination of direct comparison method and investment method by Peak Vision. Direct comparison method assumes the properties and car parks are capable of being sold in its existing state with the benefit of immediate vacant possession and makes reference to comparable sales evidence as available in the relevant markets. Investment method takes into account the current rents passing and the reversionary income potential of the properties and car parks. In estimating the fair value of the properties and car parks, the highest and best use of the properties is their current use.

The valuation of investment properties in Longgang were arrived at with the adoption of a market approach – the comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value by AP Appraisal Limited. The comparable transactions method is based on prices realised in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

Details of the Group's investment properties and information about the fair value hierarchy at 31 December 2022 and 2021 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value at 31 December 2022**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Investment properties in the PRC	**–**	**–**	**1,121,364**	**1,121,364**

	Level 1	Level 2	Level 3	Fair value at 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties in the PRC	–	–	2,131,707	2,131,707

There was no transfer into or out of Level 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used).

2022

Investment Properties held by the Group	**Valuation technique(s)**	**Significant unobservable inputs**		**Relation of unobservable inputs to fair value**
Future City Shopping Centre in Wuhan	Combination of direct comparison method and investment method	(1)	Reversionary yield: 4.95%	An increase in the reversionary yield would result in a decrease in fair value.
		(2)	Estimated market comparable unit rate per square metre/ month RMB: 225 to 278	An increase in the market rental unit rate would result in an increase in fair value.
Future Mansion car park in Wuhan	Combination of direct comparison method and investment method	(1)	Reversionary yield: 2.75%	Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value
		(2)	Estimate market unit sales per car parking space RMB: 180,000 to 320,000	The increase in the market car parking space sales price would result in an increase in fair value.

2021

Investment Properties held by the Group	Valuation technique(s)	Significant unobservable inputs		Relation of unobservable inputs to fair value
Future City Shopping Centre in Wuhan	Combination of direct comparison method and investment method	(1)	Reversionary yield: 4.95%	An increase in the reversionary yield would result in a decrease in fair value.
		(2)	Estimated market comparable unit rate per square metre/ month RMB: 214 to 278	An increase in the market rental unit rate would result in an increase in fair value.
Longgang Properties in Shenzhen	Comparable transactions method	(1)	Estimated market unit sales price per square metre RMB: 4,000 to 54,000	An increase in the market unit sales price would result in an increase in the fair value.

17. GOODWILL

	2022 **HK$'000**	2021 *HK$'000*
Cost		
At beginning of the year	**191,598**	191,598
Derecognised upon disposal of subsidiaries *(Note 34)*	**(191,598)**	–
At end of the year	**–**	191,598
Impairment		
At beginning of the year	**40,000**	40,000
Derecognised upon disposal of subsidiaries *(Note 34)*	**(40,000)**	–
At end of the year	**–**	40,000
Carrying amount		
At end of the year	**–**	151,598

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

For the purpose of impairment testing, goodwill has been allocated to the cash generating units ("CGUs") of property investment. At 31 December 2021, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of the entire equity interests of Precious Palace Enterprises Limited ("Precious Palace") in July 2019:

	2022 **HK$'000**	2021 *HK$'000*
Property Investment CGU	**–**	151,598

The recoverable amount of property investment have been determined based on a value-in-use calculation represented by management based on cash flow projections. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow projections covering periods until the expiry of the relevant operation period. These cash flow projections for 5-year period are made based on property redevelopment plan and budget of the assessed entity and assuming that selling price is similar to comparable market price of neighbouring properties. The discount rate applied to the cash flow projections are based on the weighted average cost of capital, which is 16.73% and the growth rate applied to the cash flow projections are 2% for the year ended 31 December 2021. On 15 July 2022, the Group derecognised the goodwill of property investment upon completion of the disposal of Precious Palace. Details of the disposal of Precious Palace refer to Note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. LEASES

(a) Right-of-use assets

	Leasehold land HK$'000 (Note a)	Leased properties HK$'000 (Note b)	Total HK$'000
COST			
At 1 January 2021	16,494	33,798	50,292
Addition	–	8,011	8,011
Written-off	–	(27,792)	(27,792)
Early termination	–	(6,079)	(6,079)
Exchange difference	402	135	537
At 31 December 2021	16,896	8,073	24,969
Exchange difference	(1,152)	(4)	(1,156)
At 31 December 2022	**15,744**	**8,069**	**23,813**
DEPRECIATION AND IMPAIRMENT			
At 1 January 2021	632	24,740	25,372
Provided for the year	334	8,591	8,925
Written-off	–	(27,792)	(27,792)
Early termination	–	(4,227)	(4,227)
Exchange difference	20	43	63
At 31 December 2021	986	1,355	2,341
Provided for the year	322	2,690	3,012
Impairment loss recognised in profit or loss	1,755	–	1,755
Exchange difference	(114)	(2)	(116)
At 31 December 2022	**2,949**	**4,043**	**6,992**
CARRYING AMOUNTS			
At 31 December 2022	**12,795**	**4,026**	**16,821**
At 31 December 2021	15,910	6,718	22,628

	2022 ***HK$'000***	2021 *HK$'000*
Total cash outflow for leases	**2,889**	11,901

Notes:

(a) The leasehold land with remaining lease term of 46 years.

(b) As at 31 December 2022, the leased properties include certain leased office premises in the PRC and Hong Kong with remaining lease terms from 1 year to 2 years. In addition, lease liabilities of approximately HK$4,176,000 are recognized with related right-of-use assets of approximately HK$4,026,000 as at 31 December 2022 (2021: Lease liabilities of approximately HK$6,800,000 and related right-of-use assets of approximately HK$6,718,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. LEASES (continued)

(b) Lease liabilities

	2022 Present value of the lease payments *HK$'000*	**2022** Total lease payments *HK$'000*	2021 Present value of the lease payments *HK$'000*	2021 Total lease payments *HK$'000*
Lease liabilities payable:				
Within 1 year	**2,756**	**2,890**	2,826	2,891
After 1 year but within 2 years	**1,420**	**1,435**	2,689	2,891
After 2 years but within 5 years	**–**	**–**	1,285	1,435
	1,420	**1,435**	3,974	4,326
	4,176	**4,325**	6,800	7,217
Less: total future interest expenses		**(149)**		(417)
Present value of lease liabilities		**4,176**		6,800

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 5% (2021: 4.35% to 5%).

Lease obligation that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2022 *HK$'000*	2021 *HK$'000*
Currency – RMB	**20**	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Consumables and spare parts	**15**	16

None of the inventories of the Group was carried at net realisable value at the end of the reporting period (2021: Nil).

20. INVENTORY OF PROPERTIES

	2022	2021
	HK$'000	*HK$'000*
At beginning of the year	**191,427**	188,221
Recongnised in cost of sales	**(8,293)**	–
Impairment loss *(Note a)*	**(2,234)**	–
Transfer to investment properties *(Note 16)*	**(19,534)**	–
Exchange difference	**(6,164)**	3,206
At end of the year	**155,202**	191,427

	2022	2021
	HK$'000	*HK$'000*
Properties held for sale	**155,202**	191,427

The inventory of properties are located in the PRC.

Note:

(a) The impairment loss of the inventory of properties has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision, independent qualified professional valuer not connected to the Group. The valuation technique adopted by Peak Vision was combination of comparison method and investment method. The Group recognised an impairment loss of approximately HK$2,234,000 for the year ended 31 December 2022 (2021: Nil), which was included in the other operating expense in the consolidated statement of profit or loss.

21. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers *(Note a)*	**7,811**	9,281
– property investment business	**4,376**	11,010
Less: accumulated allowance for expected credit losses	**(2,526)**	(1,791)
	9,661	18,500
Prepayments and deposits *(Note b)*	**9,543**	29,400
Other receivables	**9,902**	13,418
Less: accumulated allowance for expected credit losses	**(4,668)**	(4,441)
	14,777	38,377
	24,438	56,877

Notes:

(a) As at 1 January 2021, trade receivables from contracts with customers amounted to approximately HK$11,226,000.

(b) Included in prepayments and deposits are an amount of approximately HK$4,069,000 (2021: approximately HK$5,412,000) for the repair and maintenance deposit deposited with the government and an amount of approximately HK$1,175,000 (2021: approximately HK$2,724,000) for utility deposits. The remaining balance represents the prepayment for construction work and other prepaid expenses.

An aging analysis of trade receivables (net of accumulated allowance for expected credit losses) based on invoice dates at the end of the reporting periods is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 90 days	**4,550**	6,671
91 to 180 days	**130**	6,758
Over 180 days	**4,981**	5,071
	9,661	18,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. TRADE AND OTHER RECEIVABLES (continued)

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

The following table shows the amounts of receivable which are past due but not impaired as the balances related to debtors with sound repayment history and there has not been a significant change in credit quality and the amounts are still considered recoverable.

An aging analysis of trade receivables past due but not impaired is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Overdue by:		
1-30 days	**67**	–
31-60 days	**54**	–
61-180 days	**183**	6,758
Over 180 days	**4,981**	5,071
	5,285	11,829

The movement in the allowance for expected credit losses of trade receivables is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
At beginning of the year	**1,791**	1,774
Allowances for expected credit losses	**5,675**	17
Derecognised on disposal of subsidiaries	**(4,940)**	–
At end of the year	**2,526**	1,791

The movement in the allowance for expected credit losses of other receivables is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
At beginning of the year	**4,441**	2,197
Allowances for expected credit losses	**227**	2,244
At end of the year	**4,668**	4,441

Details of impairment assessment of trade and other receivables for the years ended 31 December 2022 and 2021 are set out in Note 5.

22. PROMISSORY NOTE RECEIVABLE

As at 31 December 2022, the promissory note receivable represented the Group's consideration receivables in relation to the disposal of the entire equity interest in Precious Palace during the year ended 31 December 2022. The promissory note receivable is bearing interest at the rate of 3% per annum payable upon redemption or maturity and will mature in 3 years. According to the terms of the promissory note agreement, the holder of the promissory note have the right to early redemption with 60 days notice. The management of the Company considers to demand redemption of the promissory note receivable within one year and the carrying amount of the promissory note receivable approximates to its fair value.

Details of impairment assessment of promissory note receivable are set out in Note 5.

23. BANK BALANCES AND CASH/ PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which ranging from 0.25% to 0.35% (2021: 0.15% to 0.35%) per annum.

Pledged bank deposit carries fixed interest rate of 3.48% per annum for the year ended 31 December 2021 and represents deposit pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to approximately of HK$Nil (2021: approximately of HK$100,605,000) has been pledged to secure short-term bank loan and therefore classified as current assets.

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 5.

24. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables based on the invoice dates at the end of the reporting periods:

	2022 ***HK$'000***	2021 *HK$'000*
Within 90 days	**1,319**	580
91 to 180 days	**14**	–
Over 180 days	**11,208**	6,680
Trade payables	**12,541**	7,260
Interest payables	**15,797**	57,338
Accrued expenses and other tax payables	**5,753**	8,563
Other payables	**7,213**	70,609
	41,304	143,770

Trade payables principally comprise amounts outstanding for dismantling costs of hotel business, construction materials and construction work of inventory of properties and investment properties.

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. CONTRACT LIABILITIES

The following is an analysis of the Group's contract liabilities:

	2022	2021
	HK$'000	*HK$'000*
Deposits received for sale of properties	**57**	61
Receipt in advance for provision of property management services	**1,113**	1,009
	1,170	1,070

	2022	2021
	HK$'000	*HK$'000*
Movement in contract liabilities:		
Balance at 1 January	**1,070**	821
Revenue recognised during the year	**(962)**	(881)
Increase in contract liabilities as a result of receipt in advance of properties management fee	**1,141**	997
Exchange difference	**(79)**	133
Balance at 31 December	**1,170**	1,070

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements. The portions received on or before the date of delivery of the properties to customers are recorded as contract liabilities. The remaining balances are normally settled within 1-3 months from date of delivery of the properties to the customers.

26. DEPOSITS RECEIVED FOR LEASE OF PROPERTIES

The amounts which are expected to be realised within twelve months after the reporting date are classified under current liabilities as they are within the Group's normal operating cycle.

	2022	2021
	HK$'000	*HK$'000*
Deposits received for lease of investment properties	**10,829**	12,988
Less: amounts shown under current liabilities	**(5,448)**	(6,220)
Amounts shown under non-current liabilities	**5,381**	6,768

27. BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Bank loans	**224,716**	565,488
Other loans	**142,936**	48,031
	367,652	613,519
Analysed as:		
Secured	**224,716**	565,488
Unsecured	**142,936**	48,031
	367,652	613,519
Carrying amounts represent repayable		
On demand or within one year	**30,682**	142,622
After one year, but not exceeding two years	**173,618**	93,154
After two years, but not more than five years	**94,318**	171,951
After five years	**69,034**	205,792
	367,652	613,519
Less: amounts due on demand or within one year shown under current liabilities	**(30,682)**	(142,622)
	336,970	470,897

Included in the borrowings are fixed rate borrowings as follows:

	2022	2021
	HK$'000	*HK$'000*
Fixed rate borrowings repayable:		
– Within one year	**–**	124,329
– More than one year, but not exceeding two years	**142,936**	80,959
– More than two years, but not exceeding five years	**–**	98,780
– More than five years	**–**	109,451
	142,936	413,519

Bank loans and other loans carry interest at the prevailing market rates or fixed rates. Fixed rate borrowings carry interest at rates ranging from 6.30% to 8.0% (2021: 4.08% to 7.5%) per annum, while the variable rate borrowings carry interest at rates ranging from 6.20% to 7.15% (2021: 5.0% to 8.0%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. BORROWINGS (continued)

The directors consider that the carrying amounts of borrowings approximate their fair value.

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2022	2021
	HK$'000	*HK$'000*
Currency – RMB	**224,716**	565,488

28. CONVERTIBLE NOTE

Convertible note due on 19 July 2022

On 19 July 2019, the Company issued convertible note with an aggregate principal amount of HK$431,500,000 ("2022 Note"), due on 19 July 2022 and bearing interest at 3% per annum payable annually. The 2022 Note was issued to Sky Climber Development Limited, the vendor of the entire issued share capital of Precious Palace Enterprises Limited, a subsidiary of the Group. The 2022 Note is convertible into fully paid ordinary shares with par value of HK$0.1 each of the Company at an initial conversion price of HK$0.50, subject to adjustment. On 15 July 2022, the 2022 Note was set off against the consideration for the disposal of 100% equity interest in Precious Palace Enterprises Limited and its subsidiaries. Details refer to Note 34.

On initial recognition, the equity component of the convertible note was separated from the liability component. The equity element is presented in equity as convertible notes equity reserve.

The carrying amount of the liability component of the convertible note at 31 December 2022 and 31 December 2021 amounted to approximately HK$Nil and HK$416,404,000 respectively.

Upon the full conversion of the outstanding 2022 Note at the conversion price of HK$0.50 per conversion share, the outstanding 2022 Note would be converted into 863,000,000 shares, representing approximately 27.59% of the existing issued share capital of the Company as at 31 December 2021 and approximately 21.62% of the share capital of the Company as enlarged by the allotment and issue of the conversion shares. As at 31 December 2021, the shareholding of the substantial shareholders of the Company, namely Mr. Li Chao Bo and CFIIL, would be decreased from 23.30% to 18.26% and from 22.32% to 17.49% respectively.

The diluted loss per share from continuing and discontinued operations for the year ended 31 December 2021 assuming all outstanding 2022 Note being converted was HK3.44 cents and is calculated by dividing the loss attribute to the shareholders of the Company by the total number of shares after all outstanding 2022 Note being converted. The calculation method of this diluted loss is not the same as those used in this annual report. According to Hong Kong Accounting Standard 33 paragraph 43, potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on loss per share. The conversion of 2022 Note would have an anti-dilutive effect on loss per share and therefore the calculation of diluted loss per share for the year ended 31 December 2021 does not assume such conversion.

28. CONVERTIBLE NOTE (continued)

Based on the implied internal rate of returns of the 2022 Note, the Company's share prices as at 31 December 2021 would be equally financially advantageous for the securities holders to convert or redeem the convertible securities were HK$0.54 per share.

The effective interest rate of 2022 Note is 9.19% per annum. The movements of the liability component of 2022 Note for the year is set out below:

Carrying amount of liability components of 2022 Note

	Total *HK$'000*
At 1 January 2021	393,802
Interest charged *(Note 8)*	35,547
Interest paid/payable	(12,945)
At 31 December 2021 and 1 January 2022	**416,404**
Interest charged *(Note 8)*	22,154
Interest paid/payable	(7,058)
Set off against the consideration for disposal of subsidiaries *(Note 34)*	(431,500)
At 31 December 2022	**–**

	2022 ***HK$'000***	2021 *HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**–**	416,404
Non-current liabilities	**–**	–
	–	416,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29. PROMISSORY NOTE

	2022	2021
	HK$'000	*HK$'000*
At beginning of the year	**53,229**	52,908
Interest charged *(Note 8)*	**1,146**	1,925
Interest payable	**(875)**	(1,604)
Set off against the consideration for disposal of subsidiaries *(Note 34)*	**(53,500)**	–
At end of the year	**–**	53,229

	2022	2021
	HK$'000	*HK$'000*
Analyses for reporting purposes as:		
Current liabilities	**–**	53,229
Non-current liabilities	**–**	–
	–	53,229

The promissory note was issued by the Company in connection with the acquisition of the entire issued share capital of Precious Palace on 19 July 2019. The promissory note represented part of the consideration for the acquisition. As at 31 December 2021, the outstanding principal amount of the promissory note amounting to HK$53,200,000. On 15 July 2022, the promissory note was set off against the consideration for the disposal of 100% equity interest in Precious Palace and its subsidiaries. Details refer to Note 34.

The promissory note is unsecured, bearing interest at 3% per annum and will mature on 19 July 2022. The effective interest rate of the promissory note is 3.70% per annum.

30. SHARE CAPITAL

	Number of ordinary shares	**Amount**
	HK$0.1 each	*HK$'000*
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	3,128,278,542	312,828

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 June 2003 for the primary purpose of providing incentives to encourage its participants to perform their best in achieving the goals of the Company and enjoy its result. The participants are any director and eligible employee of the Group; any entity in which any member of the Group holds any equity interest (the "Invested Entity"); any supplier of goods or services and customers to any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, as absolutely determined by the board.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Group must not in aggregate exceed 10% of the shares in issue on 25 June 2003, being the date on which the Company's shares were listed on the Stock Exchange. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK$1 is payable on acceptance of the options within 21 days from the date of grant. The subscription price is the highest of (i) the closing price of the shares quoted in the Stock exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant which must be a business day; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. The Scheme is valid for 10 years from 3 June 2003. No further options may be granted pursuant to the Scheme after 2 June 2013.

The above Scheme expired during year ended 31 December 2013 and was replaced by a new share option scheme ("2013 Option Scheme") which carries the same terms as the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. SHARE OPTION SCHEME (continued)

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of the 2013 Option Scheme and the termination of the Scheme which was adopted by the Company on 3 June 2003. The 2013 Option Scheme will expire on 17 June 2023. Options granted under the Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Scheme.

The following table discloses details of the Company's share options held by consultants and the movements during the year ended 31 December 2022:

Category	Date of grant	Exercise price *HK$*	Exercisable period *DD/MM/YYYY*	At 1 January 2022	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2022
Consultant	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,000,000	–	–	–	–	3,000,000
Consultant	16/06/2015	0.88	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				28,445,948	–	–	–	–	28,445,948

The following table discloses details of the Company's share options held by consultants and the movements during the year ended 31 December 2021:

Category	Date of grant	Exercise price *HK$*	Exercisable period *DD/MM/YYYY*	At 1 January 2021	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2021
Consultant	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,000,000	–	–	–	–	3,000,000
Consultant	16/06/2015	0.88	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				28,445,948	–	–	–	–	28,445,948

31. SHARE OPTION SCHEME (continued)

The Group issues equity-settled share-based payments to directors, certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually be vested and adjusted for the effect of non-market-based vesting conditions. Options granted during the year 2010, 2013 and 2015 were vested at the date of grant.

The 2013 Option Scheme was adopted by way of Shareholders' resolution on 18 June 2013. Accordingly, the 2013 Option Scheme mandate limit that could be granted at the time of adoption of the Scheme was 180,872,286 shares.

On 3 June 2021, the 2013 Option Scheme mandate limit was refreshed to 312,827,854 shares (representing approximately 10% of the issued share capital of the Company as at 3 June 2021). As at 31 December 2022, the number of shares in respect of the options granted and remained outstanding under the 2013 Option Scheme was 28,445,948 (2021: 28,445,948) shares, representing approximately 0.91% (2021: 0.91%) of the issued share capital of the Company as at 3 June 2021. Under the current refreshed 2013 Option Scheme mandate limit, the share options which carry the rights to subscribe for 284,381,906 (2021: 284,381,906) shares (representing approximately 9.09% (2021: 9.09%) of issued share capital of the Company as at 3 June 2021) were available for granting by the Company as at 31 December 2022.

The fair value of the total options granted in the year measured as at 29 May 2013, 16 June 2015 and 25 June 2015 were approximately HK$19,849,000, HK$14,190,000 and HK$5,001,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes model with Binomial Tree method:

1. an expected volatility was 33.1596%, 26.3530% and 26.3745% respectively;

2. no annual dividend yield expected;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 1.4563%, 1.8573% and 1.8433% respectively.

The Black-Scholes model with Binomial Tree method requires the inputs of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value of the options, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. DEFERRED TAX LIABILITIES

The following are the Group's deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Revaluation on investment properties *HK$'000*	Revaluation gain arising from business combination *HK$'000*	Total *HK$'000*
At 1 January 2021	364,863	10,406	375,269
Credited to the consolidated statement of profit or loss for the year *(Note 10)*	(19,124)	–	(19,124)
Exchange difference	8,665	–	8,665
At 31 December 2021 and 1 January 2022	354,404	10,406	364,810
Derecognition upon disposal of subsidiaries	(227,941)	–	(227,941)
Credited to the consolidated statement of profit or loss for the year *(Note 10)*	(984)	–	(984)
Exchange difference	(16,278)	–	(16,278)
At 31 December 2022	109,201	10,406	119,607

As at 31 December 2022, the Group has estimated unused tax losses of approximately HK$325,858,000 (2021: approximately HK$298,935,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profits streams. Estimated unused tax losses arising in PRC of approximately HK$154,167,000 (2021: approximately HK$127,244,000) will expire in 5 years for offsetting against future taxable profits. The remaining estimated unused tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

32. DEFERRED TAX LIABILITIES (continued)

Pursuant to the PRC Enterprise Income Tax Law, depending on the nationality and domicile of the foreign investors, a 5% to 10% withholding tax is levied on the dividends declared to foreign investors. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rates range from 5% to 10%.

At 31 December 2022, the unrecognised deferred tax liabilities were approximately HK$5,183,000 (2021: approximately HK$5,714,000), relating to withholding tax that would be payable for undistributed profits of the PRC subsidiaries, as the directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries at 31 December 2022 amounted to approximately HK$51,825,000 (2021: approximately HK$57,139,000).

33. RETIREMENT BENEFITS SCHEME

When the Mandatory Provident Fund Schemes Ordinance ("MPFO") came into effect in Hong Kong on 1 December 2000, the Group established a mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong.

Prior to the introduction of the MPF Scheme, the Group had operated a defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its qualified employees in Hong Kong. The ORSO Scheme was discontinued in 2001 and the benefits of the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme, which were held separately from those of the Group, were also transferred directly to the MPF Scheme. For MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The amounts charged to the consolidated statement of profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeiture, if any, arising from employees leaving the Group prior to completion of their qualifying service period.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits MPF Schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, there was no significant amount of forfeited contributions available to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. DISPOSAL OF SUBSIDIARIES

On 25 April 2022, the Group entered into a sale and purchase agreement with Sky Climber Development Limited to dispose of 100% equity interest in Precious Palace and its subsidiaries (collectively referred to as the "Precious Palace Group") at a total consideration of HK$840,000,000. The disposal was completed on 15 July 2022.

The net assets of Precious Palace Group at the date of disposal were as follow:

	2022 *HK$'000*
Investment properties	911,765
Goodwill	151,598
Account receivables	4,073
Other receivables	1,238
Amount due from the Group	254,287
Bank balances and cash	687
Other payables	(37,605)
Deposits received for lease of properties	(1,859)
Borrowings	(192,941)
Deferred tax liabilities	(227,941)
Net assets being disposed of	863,302
Release of translation reserve	(24,013)
	839,289
Less: consideration	(840,000)
Gain on disposal of subsidiaries	(711)

	2022 *HK$'000*
Consideration receivable	840,000
Less: set off against the convertible bond	(431,500)
Less: set off against the promissory note	(53,500)
Less: set off against other payables	(37,102)
Less: set off against amount due from the Group	(243,660)
Less: loss on settlement of debt	(11,340)
Less: promissory note receivable	(62,898)
Less: bank balances and cash	(687)
Net cash outflow arising on the disposal	(687)

34. DISPOSAL OF SUBSIDIARIES (continued)

On 15 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in King Century Group Limited at a total consideration of HK$10,000.

The net assets of King Century Group Limited at the date of disposal were as follow:

	2021 *HK$000*
Amount due from group companies	4
Bank balances and cash	1
Net assets being disposed of	5
Less: consideration received	10
Gain on disposal of a subsidiary	(5)

	2021 *HK$000*
Cash consideration	10
Less: bank balances and cash	(1)
Net cash inflow arising on the disposal	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. PLEDGED OF ASSETS

At the end of the reporting period, the following assets were pledged to secure general banking facilities granted to the Group:

	2022	2021
	HK$'000	*HK$'000*
Investment properties situated in the PRC	**342,733**	1,475,560
Pledged bank deposits	**–**	100,605
	342,733	1,576,165

36. OPERATING LEASES

The Group as lessor

The Group leases out investment properties under operating leases. Property rental income earned during the year was approximately HK$36,754,000 (2021: approximately HK$39,658,000). The properties are expected to generate rental yield of 2.72% (2021: 1.86%) per annum on an ongoing basis. The leases typically run within 1 year. None of the leases includes variable lease payments.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2022	2021
	HK$'000	*HK$'000*
Within one year	**8,999**	22,043
After 1 year but within 2 years	**–**	10,823
After 2 years but within 3 years	**–**	3,373
After 3 years but within 4 years	**–**	–
	8,999	36,239

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details 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.

	Interest payables *HK$'000*	**Borrowings** *HK$'000*	**Convertible note** *HK$'000*	**Promissory note** *HK$'000*	**Lease liabilities** *HK$'000*	**Total** *HK$'000*
At 1 January 2022	**57,338**	**613,519**	**416,404**	**53,229**	**6,800**	**1,147,290**
Cash flows	**(16,554)**	**(52,337)**	**–**	**–**	**(2,889)**	**(71,780)**
Interest expenses	**23,174**	**28,695**	**22,154**	**1,146**	**267**	**75,436**
Non-cash movement						
Addition of lease	**–**	**–**	**–**	**–**	**–**	**–**
Early termination of lease	**–**	**–**	**–**	**–**	**–**	**–**
Interest payable	**–**	**–**	**(7,058)**	**(875)**	**–**	**(7,933)**
Derecognition upon disposal of subsidiaries	**(13,547)**	**(192,941)**	**–**	**–**	**–**	**(206,488)**
Set off against the consideration for disposal of subsidiaries	**(32,310)**	**–**	**(431,500)**	**(53,500)**	**–**	**(517,310)**
Exchange differences	**(2,304)**	**(29,284)**	**–**	**–**	**(2)**	**(31,590)**
At 31 December 2022	**15,797**	**367,652**	**–**	**–**	**4,176**	**387,625**

	Interest payables *HK$'000*	Borrowings *HK$'000*	Convertible note *HK$'000*	Promissory note *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2021	37,235	547,011	393,802	52,908	12,816	1,043,772
Cash flows	(38,143)	46,360	–	–	(11,901)	(3,684)
Interest expenses	58,188	–	35,547	1,925	533	96,193
Non-cash movement						
Addition of lease	–	–	–	–	8,011	8,011
Early termination of lease	–	–	–	–	(2,796)	(2,796)
Interest payable	–	–	(12,945)	(1,604)	–	(14,549)
Exchange differences	58	20,148	–	–	137	20,343
At 31 December 2021	57,338	613,519	416,404	53,229	6,800	1,147,290

38. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Compensation to key management personnel:

The directors of the Company considered that they are the only key management personnel of the Group and their remuneration has been set out in Note 9.

(b) Related party transactions:

Other than as disclosed elsewhere in the consolidated financial statements, the Group has no related party transactions have been entered into during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group		Proportion of voting power held		Principal activities
			2022	2021	**2022**	2021	
Directly held:							
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	USD10,000	**100%**	100%	**100%**	100%	Investment holdings
Green City Development Limited 綠色城市開發有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Green Environmental Resources Limited 綠色環境資源有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Top Rainbow Investment Limited	British Virgin Islands	USD50,000	**100%**	100%	**100%**	100%	Investment holdings
Indirectly held:							
China Water Property Corporate Finance Limited 中國水務地產企業財務有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
First Supreme Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Hense Investments Limited 康士投資有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Land Silver Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
First Dynasty Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Hong Kong Walter Hotel Management Group Limited 香港沃爾特酒店管理集團有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
King Century Group Limited	British Virgin Islands	USD1	**–**	100%	**–**	100%	Investment holdings
China City Infrastructure (Hong Kong) Limited 中國城基(香港)有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Real Property Limited 中國水務房地產有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2022	2021	Proportion of voting power held 2022	2021	Principal activities
China Water Property Land Development Limited 中國水務地產開發有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Group Limited 中國水務地產(香港)集團有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Development Limited 中國水務地產發展有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
Water Property Hubei Group Limited* 水務地產湖北集團有限公司	PRC	RMB200,000,000	**100%**	100%	**100%**	100%	Property development
Wuhan Xingiaohui Commercial Property Management Company Limited* 武漢新潮薈商業管理有限公司	PRC	RMB10,000,000	**100%**	100%	**100%**	100%	Provision of management services
Wuhan Kaiyue Property Development Company Limited* 武漢凱越房地產開發有限公司	PRC	RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Hotel Management Company Limited* 武漢未來城大酒店管理有限公司	PRC	RMB5,000,000	**100%**	100%	**100%**	100%	Provision of hotel operation
Wuhan Future City Technology Incubator Company Limited* 武漢未來城科技孵化器有限責任公司	PRC	RMB1,000,000	**100%**	100%	**100%**	100%	Provision of management service
Wuhan Zhong Nan Automobile Parts And Accessories Company Limited* 武漢市中南汽車配件配套有限責任公司	PRC	RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2022	2021	Proportion of voting power held 2022	2021	Principal activities
Wuhan Future City Property Management Company Limited* 武漢未來城物業管理有限公司	PRC	RMB500,000	**100%**	100%	**100%**	100%	Provision of management services
China Infrastructure Investments Company Limited 中國基礎設施投資有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
China Environment Investment Limited 中國環境投資有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
Meissen Financial Leasing (Shanghai) Company Limited* 邁森融資租賃(上海)有限公司	PRC	RMB219,666,229	**100%**	100%	**100%**	100%	Investment holdings
Wuhan Chengji Commodity City Management Company Limited* 武漢城基小商品城商業管理有限公司	PRC	RMB500,000	**100%**	100%	**100%**	100%	Provision of management services
Shenzhen Huafeng Infrastructure Investments Company Limited* 深圳華峰基礎設施投資有限公司	PRC	RMB20,000,000	**100%**	100%	**100%**	100%	Investment holdings
Precious Palace Enterprise Limited	British Virgin Islands	HK$390,000	**-**	100%	**-**	100%	Investment holdings
Mimiro Industrial Co. Limited 鳳珍企業有限公司	Hong Kong	HK$500,000	**-**	100%	**-**	100%	Investment holdings
Fengzhen Industrial Development (Shenzhen) Co. Limited* 鳳珍實業發展(深圳)有限公司	PRC	RMB13,080,000	**-**	100%	**-**	100%	Property investment
Shangrao Zhong Cheng Jian Tourism Development Limited* 上饒市中城建旅遊開發有限公司	PRC	RMB30,000,000	**100%**	100%	**100%**	100%	Tourism Development

Note:

(i) None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

The above table lists the subsidiaries of the Group which, in the opinions of the directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* *for identification purpose only*

40. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
ASSETS		
Non-current asset		
Interests in subsidiaries	**132,997**	1,400,198
Current assets		
Other receivables	**1,245**	371
Promissory note receivable	**62,898**	–
Bank balances	**291**	318
	64,434	689
TOTAL ASSETS	**197,431**	1,400,887
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**312,828**	312,828
Reserves *(Note)*	**(187,203)**	532,943
	125,625	845,771
Current liabilities		
Other payables and accruals	**71,806**	85,483
Promissory note – due within one year	**–**	53,229
Convertible note – due within one year	**–**	416,404
TOTAL LIABILITIES	**71,806**	555,116
TOTAL EQUITY AND LIABILITIES	**197,431**	1,400,887
NET CURRENT LIABILITIES	**(7,372)**	(554,427)
TOTAL ASSETS LESS CURRENT LIABILITIES	**125,625**	845,771

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

Li Chao Bo
DIRECTOR

Ji Jiaming
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movement in the Company's reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible notes equity reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	1,741,104	71,463	67,363	6,702	(1,305,945)	580,687
Loss for the year	–	–	–	–	(47,744)	(47,744)
At 31 December 2020 and 1 January 2021	1,741,104	71,463	67,363	6,702	(1,353,689)	532,943
Loss for the year	–	–	–	–	(720,146)	(720,146)
Release of convertible notes reserve upon disposal of subsidiaries	–	–	(67,363)	–	67,363	–
At 31 December 2022	1,741,104	71,463	–	6,702	(2,006,472)	(187,203)

The contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise share premium, contributed surplus, convertible notes equity reserve, share options reserve and accumulated losses. At 31 December 2022, no reserves are available for distribution to its shareholders (2021: available of approximately HK$533 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of retained earnings or other reserves, including the share premium account, of the Company.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018*	2019*	2020*	(Restated) 2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Continuing operations					
Revenue	293,593	101,107	73,742	64,331	**65,593**
Profit (loss) from operations	(29,293)	1,766	(4,825)	(82,194)	**(14,928)**
Finance costs	(138,824)	(141,923)	(149,057)	(95,859)	**(75,436)**
Loss before tax	(168,117)	(140,157)	(153,882)	(178,053)	**(90,364)**
Income tax (expenses) credit	(8,233)	(38,082)	58,138	19,124	**(16,889)**
Loss for the year before discontinued operation	(176,350)	(178,239)	(95,744)	(158,929)	**(107,253)**
Discontinued operation	–	–	–	(8,182)	**(6,963)**
Loss before non-controlling interests	(176,350)	(178,239)	(95,744)	(167,111)	**(114,216)**
Non-controlling interests	1,467	2,301	10,403	–	**–**
Loss for the year attributable to owners of the Company	(174,883)	(175,938)	(85,341)	(167,111)	**(114,216)**
Loss per share from continuing and discontinued operations	*HK Cents*	*HK Cents*	*HK Cents*	*HK Cents*	***HK Cents***
– Basic	(5.67)	(5.66)	(2.73)	(5.34)	**(3.65)**
– Diluted	(5.67)	(5.66)	(2.73)	(5.34)	**(3.65)**

ASSETS AND LIABILITIES

	Year ended 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	2,867,835	3,672,640	2,709,722	2,678,160	**1,402,305**
Total liabilities	(1,606,472)	(2,517,818)	(1,566,686)	(1,663,046)	**(609,841)**
Non-controlling interests	–	5,734	–	–	**–**
Equity attributable to owners of the Company	1,261,363	1,160,556	1,143,036	1,015,114	**792,464**

* The result for each of the year from 2018 to 2020 have not been re-presented for the discontinued operation.

PROPERTIES PARTICULARS

Property Projects of the Group at 31 December 2022 is set out below.

	Property Projects	Type	Lease Term	Site Area (Square Metres)	Gross Floor Area (Square Metres)	Stage of Completion	Interest attributable to the Group	Anticipated Completion
1.	Future City Situated on No. 147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential/ Commercial/ Hotel	Medium	19,191	145,273	Completed	100%	–
2.	Future Mansion Situated on No. 378, Wu Lo Road, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential	Medium	5,852	42,149	Completed	100%	–
3.	Zhongshui • Longyang Plaza Situated on Land Lot No. 19C2 Located at Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Commercial	Medium	30,625	135,173	Completed	100%	–