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(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

References are made to the announcements of the Company (i) dated 28 March 2024 and 28 June 2024 in relation to, among other things, the quarterly update pursuant to the Resumption Guidance, inside information and delay in publication of annual results announcement and delay in dispatch of annual report for the year ended 31 December 2023; and (ii) dated 5 September 2024 in relation to, among other things, delay in publication of annual results for the year ended 31 December 2023 (collectively, the “**Announcements**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The board of directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	Year ended 31 December	
		2023 RMB'000	2022 RMB'000 (Restated)
Revenue	5 & 6	598,601	275,916
Cost of sales		<u>(555,302)</u>	<u>(144,925)</u>
Gross profit		43,299	130,991
Other income	7	369,187	70,559
Other gains and losses	8	(138,024)	(114,137)
Selling and marketing expenses		(24,366)	(24,604)
Administrative expenses		(75,026)	(134,722)
Impairment losses on financial assets, net of reversal	9	(843,870)	(36,910)
Impairment losses on financial guarantee contract	18	<u>(30,960)</u>	<u>(206,000)</u>
Operating loss		<u>(699,760)</u>	<u>(314,823)</u>
Finance income	10	629	434
Finance costs	11	<u>(369,695)</u>	<u>(130,567)</u>
Finance costs – net		<u>(369,066)</u>	<u>(130,133)</u>
Share of results of associates		9,889	13,467
Share of results of joint ventures		<u>(649,878)</u>	<u>(77,425)</u>
Loss before income tax		(1,708,815)	(508,914)
Income tax credit	12	<u>111,797</u>	<u>250,977</u>
Loss for the year		<u>(1,597,018)</u>	<u>(257,937)</u>

		Year ended 31 December	
	<i>NOTES</i>	2023	2022
		RMB'000	RMB'000
			(Restated)
Other comprehensive (expense) income, net of tax			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(8,104)	50,452
Changes in the fair value of financial assets at fair value through other comprehensive income (“FVTOCI”), net of tax		(8,560)	–
Other comprehensive (expense) income for the year, net of tax		(16,664)	50,452
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(1,613,682)	(207,485)
(Loss) profit for the year attributable to:			
Owners of the Company		(1,618,018)	(267,764)
Non-controlling interests		21,000	9,827
		(1,597,018)	(257,937)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(1,634,682)	(217,312)
Non-controlling interests		21,000	9,827
		(1,613,682)	(207,485)
Losses per share attributable to owners of the Company			
– Basic	<i>13</i>	RMB(0.079)	RMB(0.013)
– Diluted		RMB(0.079)	RMB(0.013)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	31 December	31 December	1 January
	2023	2022	2022
<i>NOTES</i>	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)	(Restated)
NON-CURRENT ASSETS			
Financial assets at FVTOCI	28,542	39,955	39,955
Property, plant and equipment	298,034	309,531	325,856
Right-of-use assets	243,878	254,118	260,652
Investment properties	3,966,000	4,075,400	4,154,300
Goodwill	–	–	–
Investments in associates	971,803	965,065	951,598
Investments in joint ventures	2,507,015	2,857,743	2,890,109
Deferred tax assets	24,882	9,051	252,391
Other non-current assets	–	–	85,074
	8,040,154	8,510,863	8,959,935
CURRENT ASSETS			
Inventories of properties	2,015,627	2,435,004	2,443,410
Other inventories	1,674	1,091	1,041
Trade receivables	58,012	44,713	25,013
Other receivables	1,736,992	1,601,892	1,273,824
Prepayments and other current assets	33,587	27,968	27,705
Financial assets at fair value through profit or loss (“FVTPL”)	37,834	–	–
Prepaid income tax	4,040	4,549	4,360
Other financial assets at amortised cost	1,135,606	1,180,358	1,214,271
Restricted bank deposits	4,240	4,380	37,364
Bank balances and cash	126,455	100,699	70,521
	5,154,067	5,400,654	5,097,509
Assets classified as held for sale	–	19,091	23,031
	5,154,067	5,419,745	5,120,540

		31 December	31 December	1 January
	<i>NOTES</i>	2023	2022	2022
		RMB'000	<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)	(Restated)
CURRENT LIABILITIES				
Lease liabilities		3,047	4,141	3,187
Trade payables	17	350,058	457,307	484,810
Other payables and accruals		2,569,699	2,151,819	2,010,092
Contract liabilities		222,625	133,640	71,925
Bank and other borrowings		1,261,034	1,109,278	896,749
Provision for losses due to the default of a joint venture's syndicated bank loan and execution of the financial guarantee contract	18	236,960	206,000	–
Tax payable		582,360	605,325	886,778
		5,225,783	4,667,510	4,353,541
NET CURRENT (LIABILITIES) ASSETS		(71,716)	752,235	766,999
TOTAL ASSETS LESS CURRENT LIABILITIES		7,968,438	9,263,098	9,726,934
NON-CURRENT LIABILITIES				
Lease liabilities		27,078	28,916	31,409
Bank and other borrowings		3,830,241	3,343,339	3,344,629
Deferred tax liabilities		1,181,625	1,339,621	1,580,800
Financial liabilities at FVTPL		267,252	275,298	286,687
		5,306,196	4,987,174	5,243,525
NET ASSETS		2,662,242	4,275,924	4,483,409
CAPITAL AND RESERVES				
Issued share capital and share premium		6,747,788	6,747,788	6,747,788
Other reserves		241,094	235,224	179,101
Accumulated losses		(4,625,902)	(2,985,350)	(2,711,915)
Equity attributable to owners of the Company		2,362,980	3,997,662	4,214,974
Non-controlling interests		299,262	278,262	268,435
TOTAL EQUITY		2,662,242	4,275,924	4,483,409

NOTES:

1. GENERAL INFORMATION

SRE Group Limited (the “**Company**”) was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. The shares of the Company are listed on the Main board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The addresses of the principal place of business of the Company in the People’s Republic of China (the “**PRC**”) and Hong Kong are Shanghai Headquarter address and Suite 2806A, 28/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly engaged in real estate development and investment in the PRC, on projects located in gateway cities of developed and developing markets.

As at 31 December 2023, the Company’s parent company is China Minsheng Jiaye Investment Co., Ltd. (“**China Minsheng Jiaye**”), and its ultimate holding company is China Minsheng Investment Corp., Ltd. (“**China Minsheng Investment**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company and its major subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS “HKFRSs”

New and amendments to HKFRSs that are mandatorily effective for the current year

In current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

New and amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ²
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> ²
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ²
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ⁴
Annual Improvements to HKFRSs	<i>Volume 11</i> ⁴
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁵
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ⁵

- 1 Effective for annual periods beginning on or after a date to be determined
- 2 Effective for annual periods beginning on or after 1 January 2024
- 3 Effective for annual periods beginning on or after 1 January 2025
- 4 Effective for annual periods beginning on or after 1 January 2026
- 5 Effective for annual periods beginning on or after 1 January 2027

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 *Presentation of Financial Statements*. The new HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the consolidated financial statements and improve aggregation and disaggregation of information to be disclosed in the consolidated financial statements. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made. HKFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future consolidated financial statements. The Group will continue to assess the impact of HKFRS 18 on the Group's consolidated financial statements.

Except as described above and the other amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

(b) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

3. RECLASSIFICATION OF PRIOR YEAR FIGURES

- (a) In the Company's consolidated financial statements for the year ended 31 December 2022 (the "2022 Financial Statements"), upfront payments for land use rights related to inventories of properties (i.e. comprise of properties held for development ("PFD"), properties under development for sales ("PUD") and properties held for sales ("PFS")) was disclosed separately in the consolidated statement of financial position under prepaid lease payments and released to profit or loss when the Group's PFSs were delivered to the buyers.

During the year ended 31 December 2023, the management of the Company have included its prepaid lease payments related to PFD, PUD and PFS under inventories of properties in its consolidated statement of financial position in view that these upfront payments for land use rights were for the purpose of development of properties for sale and such disclosure presentation would enable its shareholders to better understand the actual carrying value of its PFD, PUD and PFS at the end of the reporting period. To conform with the current year's presentation in its consolidated statement of financial position, the relevant comparative figure for the year ended 31 December 2022 in relation to its inventories of properties have been re-presented and have included prepaid lease payments related to PFD, PUD and PFS.

The reclassification adjustments does not have any impact on the Group's net assets as at 31 December 2022 and 1 January 2022. The effect of these reclassification adjustments on the consolidated statement of financial position as at 31 December 2022 and 1 January 2022 are as follows:

	As at 31 December 2022 (originally stated) <i>RMB'000</i>	Adjustments <i>RMB'000</i>	As at 31 December 2022 (restated) <i>RMB'000</i>
Prepaid land lease payments	722,609	(722,609)	–
Inventories of properties	<u>1,712,395</u>	<u>722,609</u>	<u>2,435,004</u>
	As at 1 January 2022 (originally stated) <i>RMB'000</i>	Adjustments <i>RMB'000</i>	As at 1 January 2022 (restated) <i>RMB'000</i>
Prepaid land lease payments	732,226	(732,226)	–
Inventories of properties	<u>1,711,184</u>	<u>732,226</u>	<u>2,443,410</u>

- (b) In the 2022 Financial Statements, net foreign exchange loss related to its bank borrowings amounting to approximately RMB86,563,000 was disclosed under finance costs in its consolidated statement of profit or loss and other comprehensive income. During the year ended 31 December 2023, the management of the Company have included the exchange loss related to its bank borrowings under others gains and losses and is of the view that such disclosure presentation would enable the shareholders to understand better the composition of its other gains and losses. To conform with the current year's presentation, the relevant comparative figure of other gains and losses for the year ended 31 December 2022 had also included net foreign exchange loss related its bank borrowings amounting to RMB86,563,000.

The reclassification adjustments does not have any impact on the Group's loss for the year ended 31 December 2022. The effect of these reclassification adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 are as follows:

	For the year ended 31 December 2022		
	As originally stated	Adjustments	As restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other gains and losses	(27,574)	(86,563)	(114,137)
Finance costs	<u>(217,130)</u>	<u>86,563</u>	<u>(130,567)</u>

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments that are measured at fair values, at the end of each reporting period.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Going concern basis

The Group incurred a net loss of approximately RMB1,597,018,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities of approximately RMB71,716,000.

As at 31 December 2023, the Group's current liabilities included approximately RMB1,261,034,000 (2022: RMB1,109,278,000) of bank and other borrowings, out of which approximately RMB1,218,538,000 (2022: RMB1,085,370,000) were defaulted and became immediately repayable if requested by the lenders. As at 31 December 2023, however, the Group's cash and cash equivalents was approximately RMB126,455,000 (2022: RMB100,699,000) only.

The defaults of these borrowings were triggered by (1) the deterioration of the financial conditions of China Minsheng Investment, the ultimate holding company of the Group since 2018; (2) the arrest of Mr. Peng Xinkuang, a former executive director and the former chief executive officer and chairman of the board of directors of the Company, and the detention of Mr. Chen Donghui, a former executive director of the Company, by the relevant authorities in the PRC in January and February 2020; and (3) the default of a joint venture namely Shanghai Jinxin Real Estate Co., Ltd. ("**Jinxin**") for its syndicated bank loan guaranteed by the Group. In addition, the continuous default of Jinxin's syndicated bank loan resulted in the relevant lenders having the right to demand, and the relevant lenders have demanded, the Group to fulfill its guarantee obligation to repay the loan, including an outstanding principal of approximately RMB4,451,800,000 (2022: RMB4,451,800,000) and related interests and bank fees of approximately RMB421,070,000 (2022: RMB279,800,000) as at 31 December 2023, and the relevant lenders will also have the right to apply for court's forcible execution, including but not limited to dispose of the Group's equity investment in Jinxin which were pledged as collateral of Jinxin's syndicated bank loan. The relevant lenders of Jinxin applied for the court to enforce their above rights during the year ended 31 December 2023.

On 8 April 2024, the Group entered into a disposal agreement, to which the purchaser (the "**Purchaser**") conditionally agreed to acquire and the Group conditionally agreed to: (i) dispose of entire interest in Jinxin at a consideration of approximately RMB800,000,000; and (ii) assign the rights to the Purchaser in relation to the debts as originally owed by Jinxin to the Group at a consideration of approximately RMB2,610,000,000 (the "**Disposal**"). The Purchaser namely Zhongchong Investment Group Co., Ltd. (中崇投資集團有限公司), is a limited liability company established in the PRC and held 63.7% equity interest in its joint venture partner of Jinxin namely Zhongchong Binjiang Industrial Development Co., Ltd. (上海中崇濱江實業發展有限公司). On 29 May 2024, the Company held a special general meeting (the "**Original SGM**") for the purpose of approving the Disposal. During the Original SGM, the board of directors of the Company announced that due to the lack of quorum was present within thirty minutes from the time appointed for the Original SGM, the Original SGM was adjourned and the board of directors of the Company announced that the adjourned special general meeting will be held on 13 June 2024 (the "**Adjourned SGM**"). On 13 June 2024, the Company held the Adjourned SGM which certain shareholders requested to further adjourn the special general meeting to a date, time and venue to be determined by the board of directors of the Company (the "**Further Adjourned SGM**"). As at the approval date of these consolidated financial statements, the arrangement for the Further Adjourned SGM was not yet determined by the Company.

Pursuant to the sales and purchase agreement in relation to the Disposal (the “**Disposal Agreement**”), the Disposal Agreement shall become effective upon the Company having completed the announcement and approval procedures in respect of the transactions contemplated under the Disposal Agreement in accordance with the Listing Rules and obtained shareholders’ approval for the Disposal Agreement and the Disposal (the “**Conditions Precedent**”). Under the Disposal Agreement, the Conditions Precedent shall be fulfilled on or before 15 June 2024 (the “**Proposed Effective Date**”), or else the Group shall pay the Purchaser liquidated damages calculated as follows: (i) in the event of a delay of up to and including 30 days after the Proposed Effective Date, the Group shall pay the Purchaser liquidated damages calculated at 0.01% per day with reference to RMB2,000,000,000; (ii) in the event of a delay of over 30 days after the Proposed Effective Date, the Group shall pay the Purchaser liquidated damages calculated at 0.03% per day with reference to RMB2,000,000,000; and (iii) in the event of a delay of more than 90 days, the Purchaser shall have the right to unilaterally terminate the Disposal Agreement, in which case the Group shall return all the amount received from the Purchaser, as well as pay the Purchaser liquidated damages calculated at 5% with reference to the total consideration as set out in the Disposal Agreement. As of the date of these consolidated financial statements, the Group has not reached any agreement with the Purchaser in relation to the extension of the Proposed Effective Date or pay the liquidated damages as set out above or receive any notification from the Purchaser for termination of the Disposal Agreement.

The above events or conditions indicate material multiple uncertainties exist that may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as going concern.

The Group has formulated the following plans and measures to mitigate the liquidity pressure arising from the default of Jinxin’s syndicated bank loan:

- (1) The Group communicated with the relevant lenders of Jinxin’s syndicated bank loan on 29 June 2023 and 19 June 2024 seeking the relevant lenders’ support including but not limited to a further extension for the repayments of principals and overdue interests of the Jinxin’s syndicated bank loan, so that Jinxin and guarantors have more time to explore any other feasible means to arrange financing plans for Jinxin. The Group is also in negotiation with the other shareholder of Jinxin for the arrangement of providing additional shareholders’ financing to Jinxin for interest repayments. For the enforcement of settlement judgement, the Group will continue to communicate with the relevant lenders for its plans and measures from time to time, including but not limited to restructuring of the syndicated bank loan, guidance from relevant government bodies and future development plan of the Jinxin’s project and so on, so that to persuade the relevant lenders to suspend or cease the enforcement of settlement judgement and grant more time and extend the repayment date of Jinxin’s syndicated bank loan. Neither the relevant lenders of Jinxin’s syndicated bank loan nor the other shareholder of Jinxin have responded to these communications.
- (2) The Group and its ultimate holding company has communicated with relevant government bodies to seek support for Jinxin’s and the Group’s various efforts in restructuring the syndicated bank loan, and to seek extension of the repayment from 26 December 2022 to 31 December 2024. The Group has not received response to such communication yet.

- (3) The Group is also helping Jinxin to negotiate with other financial institutions to obtain future financing to restructure the syndicated bank loan and/or further development of the project of Jinxin. The Group is currently discussing these plans with all relevant parties including but not limited to the other shareholder of Jinxin, the relevant lenders of Jinxin's syndicated bank loan, and participating financial institutions.

The Group has also formulated following plans and measures to mitigate the liquidity pressure arising from the other defaults and improve its cashflows:

- (1) The Group has been proactively communicating with the other lenders of the Group to explain the Group's business, operations, financial condition and cash position. The directors of the Company are confident to convince the other lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.
- (2) The Group has been communicating with the Company's ultimate holding company and certain related parties to extend repayment of the certain borrowings which are repayable on demand. The directors are confident that the extension will be supported by the ultimate holding company and the related parties.
- (3) The Group has also planned various actions to improve its cash flows, which mainly include (a) speeding up the presale or sale the Group's properties completed or under development and collection of relevant proceeds; (b) sale of Jinxin at a reasonable price; (c) collection of settlement for its other receivables from and loans to its related parties. The directors of the Company are confident that the Group will be able to successfully and timely generate cash inflows for the Group from the above-mentioned actions.

The directors of the Company have reviewed the Group's cash flow forecast prepared by the management, which covers a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, and the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- (1) successfully persuading the relevant lenders of Jinxin's syndicated bank loan to suspend or cease the enforcement of settlement judgement and grant further necessary extension for repayment of overdue amounts under the syndicated bank loan, and agreement by the other shareholder of Jinxin to provide funds that are necessary for Jinxin's repayment of the interests of the syndicated bank loan;
- (2) maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by these lenders to exercise their contractual rights to demand immediate repayment of the relevant loans;
- (3) successful negotiation with the Company's parent company, ultimate holding company, intermediate holding company and certain related parties of the Group for extension of certain borrowings due on demand;

- (4) successful speed-up and timely collection of proceeds from sales and presales activities of completed properties and properties under development, successful and timely sale of the Group's investments in certain joint ventures, development project, and financial assets at a reasonable price, as well as timely collection of loans to related parties and other receivables from a joint venture and related parties;
- (5) successful in obtaining financial support from the Company's shareholders to finance the future development of the Jinxin and the Group's existing properties under development for sales; and
- (6) successful in receiving the full amount of consideration according to the milestone of the Disposal Agreement.

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

5. REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue from contract with customers recognised at a point in time		
– Revenue from sales of properties	392,979	87,532
– Revenue from hospital service	<u>8,450</u>	<u>10,650</u>
	<u>401,429</u>	<u>98,182</u>
Revenue from contract with customers recognised over time		
– Revenue from hospital service	19,806	31,998
– Revenue from construction of infrastructure for intelligent network	438	2,397
– Revenue from property management service	<u>29,115</u>	<u>29,304</u>
	<u>49,359</u>	<u>63,699</u>
Revenue from other source		
– Revenue from property leasing (<i>Note b</i>)	<u>149,076</u>	115,530
Sub-total	599,864	277,411
Less: Tax and surcharges	<u>(1,263)</u>	<u>(1,495)</u>
Total revenue	<u><u>598,601</u></u>	<u><u>275,916</u></u>

Notes:

(a) **Transaction price allocated to the remaining performance obligation for contracts with customers**

(i) ***Sales of properties***

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2023 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000
Within one year	235,629
More than one year	<u>32,106</u>

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000
Within one year	185,125
More than one year	<u>20,569</u>

(ii) ***Hospital service, construction of infrastructure for intelligent network and property management services***

All the contracts have an original expected duration of one year or less. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(b) Revenue from other source within the scope of HKFRS 16

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
For operating leases:		
Total revenue arising from leases		
Operating lease income with fixed lease payments	149,076	115,530
Less: Direct expenses	(47,615)	(37,320)
	<u>101,461</u>	<u>78,210</u>

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The board of directors of the Company has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income), exchange loss, share of results of associates and joint ventures together with related impairment or losses, and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties.
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties.

The other operations comprise, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of hospital service and property management service, and construction of infrastructure for intelligent network.

An analysis by operating segment is as follows:

	Year ended 31 December 2023			
	Property development RMB'000	Property leasing RMB'000	Other operations RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	392,150	177,815	28,636	598,601
Intersegment sales	–	5,176	–	5,176
	<u>392,150</u>	<u>182,991</u>	<u>28,636</u>	<u>603,777</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales	–	(5,176)	–	(5,176)
Revenue	<u>392,150</u>	<u>177,815</u>	<u>28,636</u>	<u>598,601</u>
Segment (loss) profit	<u>(691,621)</u>	<u>50,212</u>	<u>(2,559)</u>	<u>(643,968)</u>
Finance income				629
Finance costs				<u>(369,695)</u>
Finance costs – net				<u>(369,066)</u>
Share of results of associates				9,889
Share of results of joint ventures				<u>(649,878)</u>
Net foreign exchange loss				(19,915)
Impairment losses on financial guarantee contract				(30,960)
Impairment losses in respect of investments in joint ventures				<u>(4,917)</u>
Loss before income tax				<u><u>(1,708,815)</u></u>
Segment assets and liabilities				
Segment assets	<u>3,897,106</u>	<u>4,024,012</u>	<u>1,794,285</u>	<u>9,715,403</u>
Investments in associates				971,803
Investments in joint ventures				<u>2,507,015</u>
Total assets				<u><u>13,194,221</u></u>
Segment liabilities	<u>5,548,293</u>	<u>2,292,539</u>	<u>2,691,147</u>	<u>10,531,979</u>
Total liabilities	<u><u>5,548,293</u></u>	<u><u>2,292,539</u></u>	<u><u>2,691,147</u></u>	<u><u>10,531,979</u></u>

Year ended 31 December 2023

	Property development RMB'000	Property leasing RMB'000	Other operations RMB'000	Total RMB'000
Other segment information:				
Interest income from loans receivable from related parties	-	(124,755)	-	(124,755)
Income for management services provided to a joint venture	(243,409)	-	-	(243,409)
Depreciation and amortisation	359	1,763	20,325	22,447
Capital expenditure (<i>Note</i>)	-	-	870	870
Change in fair value of investment properties	-	109,400	-	109,400
Provision for write down of PFD or PUD or PFS	198,683	-	-	198,683
Impairment losses on financial assets, net of reversal	824,000	19,870	-	<u>843,870</u>

Note: Capital expenditure consists of additions of property, plant and equipment of approximately RMB870,000.

Year ended 31 December 2022

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	89,785	140,823	45,308	275,916
Intersegment sales	<u>–</u>	<u>–</u>	<u>2,663</u>	<u>2,663</u>
	<u>89,785</u>	<u>140,823</u>	<u>47,971</u>	<u>278,579</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales	<u>–</u>	<u>–</u>	<u>(2,663)</u>	<u>(2,663)</u>
Revenue	<u>89,785</u>	<u>140,823</u>	<u>45,308</u>	<u>275,916</u>
Segment loss				
	<u>(47,950)</u>	<u>(13,994)</u>	<u>(1,362)</u>	<u>(63,306)</u>
Finance income				434
Finance costs				<u>(130,567)</u>
Finance costs – net				<u>(130,133)</u>
Share of results of associates				13,467
Share of results of joint ventures				<u>(77,425)</u>
Net foreign exchange loss				(86,563)
Impairment losses on financial guarantee contract				(206,000)
Reversal of impairment losses in respect of investments in joint ventures				<u>41,046</u>
Loss before income tax				<u><u>(508,914)</u></u>
Segment assets and liabilities				
Segment assets	<u>3,869,423</u>	<u>4,488,253</u>	<u>1,750,124</u>	<u>10,107,800</u>
Investments in associates				965,065
Investments in joint ventures				<u>2,857,743</u>
Total assets				<u><u>13,930,608</u></u>
Segment liabilities	<u>4,402,506</u>	<u>2,756,178</u>	<u>2,496,000</u>	<u>9,654,684</u>
Total liabilities	<u><u>4,402,506</u></u>	<u><u>2,756,178</u></u>	<u><u>2,496,000</u></u>	<u><u>9,654,684</u></u>

Year ended 31 December 2022

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information:				
Interest income from loans receivable				
from related parties	–	(67,288)	–	(67,288)
Depreciation and amortisation	483	1,913	24,606	27,002
Capital expenditure (<i>Note</i>)	4	74	349	427
Change in fair value of investment properties	–	78,900	–	78,900
Provision for write down of PFD or PUD or PFS	11,051	–	–	11,051
Impairment losses on financial assets	–	6,442	30,468	<u>36,910</u>

Note: Capital expenditure consists of additions of property, plant and equipment of approximately RMB427,000.

Geographical information

- (a) For the year ended 31 December 2023, 100% (2022: 100%) of the sales to external customers of the Group are generated from Mainland China.
- (b) Non-current assets

As of 31 December 2023, around 81% (2022: 88%) of the Group's non-current assets (based on the locations of the assets and excludes deferred tax assets and financial assets at FVTOCI) were located in the PRC and the remaining 19% (2022: 12%) of the Group's non-current assets are located in United States of America.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

7. OTHER INCOME

An analysis of other income is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from loans receivable		
due from related parties	124,755	67,288
Income from guarantee provided to		
a joint venture	–	2,077
Income for management services		
provided to a joint venture	243,409	–
Others	1,023	1,194
	<u>369,187</u>	<u>70,559</u>

8. OTHER GAINS AND LOSSES

An analysis of other gains and losses is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Change in fair value of investment properties	109,400	78,900
Gain from disposal of an associate	(171)	(3,576)
Change in fair value of financial assets at FVTPL	334	–
Change in fair value of financial liabilities at FVTPL	(8,046)	(11,389)
Loss (gain) on disposal of property, plant and equipment	187	(169)
Accrual for the legal exposure	1,333	834
Accrual of estimated penalty in late delivery of properties		
or property titles	206	5,231
Impairment losses (reversal of impairment losses)		
in respect of investments in joint ventures	4,917	(41,046)
Net foreign exchange loss	19,915	86,563
Others	9,949	(1,211)
	<u>138,024</u>	<u>114,137</u>

9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses on:		
– Trade receivables	20,502	6,442
– Other receivables	596,839	31,870
– Other financial assets at amortised cost	226,529	55
Reversal of impairment losses on:		
– Trade receivables	–	(750)
– Other receivables	–	(83)
– Other financial assets at amortised cost	–	(582)
– Other non-current assets	–	(42)
	<u>843,870</u>	<u>36,910</u>

10. FINANCE INCOME

An analysis of finance income is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	<u>629</u>	<u>434</u>

11. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Interest on bank and other borrowings	376,739	136,071
Interest on lease liabilities	2,092	2,242
Less: Amount capitalised to properties under development for sales	<u>(9,136)</u>	<u>(7,746)</u>
	<u>369,695</u>	<u>130,567</u>

During the year ended 31 December 2023, the weighted average interest capitalisation rate was 7.57% (2022: 3.02%) per annum.

12. INCOME TAX CREDIT

An analysis of income tax is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
– EIT (<i>Note a</i>)	47,489	(121)
– LAT (<i>Note c</i>)	<u>11,688</u>	<u>(10,180)</u>
	<u>59,177</u>	<u>(10,301)</u>
Deferred taxation		
– EIT	(170,974)	(7,164)
– PRC withholding tax (<i>Note d</i>)	<u>–</u>	<u>(233,512)</u>
	<u>(170,974)</u>	<u>(240,676)</u>
Income tax credit for the year	<u><u>(111,797)</u></u>	<u><u>(250,977)</u></u>

Note a: EIT

The Group conducts a significant portion of its business in PRC and the applicable income tax rate of its subsidiaries operating in PRC is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in “prepaid income tax” was approximately RMB1,492,000 as at 31 December 2023 (2022: RMB1,398,000). Such prepaid taxes are initially recorded in the consolidated statement of financial position and later released to profit or loss upon revenue recognition.

Note b: Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2023 (2022: Nil).

Note c: LAT

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% (2022: 1% to 2%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in “prepaid income tax” with an amount of approximately RMB2,548,000 as at 31 December 2023 (2022: RMB3,151,000). Such prepaid taxes are initially recorded in the consolidated statement of financial position and later released to profit or loss upon revenue recognition.

Note d: PRC withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

As at 31 December 2023 and 2022, the Company expected that no dividend would be declared to foreign investors from the foreign investment enterprises established in PRC in the foreseeable future.

13. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company <i>(RMB'000)</i>	<u>(1,618,018)</u>	<u>(267,764)</u>
	Year ended 31 December	
	2023	2022
Number of total shares ('000)		
Weighted average number of ordinary shares in issue	<u>20,564,713</u>	<u>20,564,713</u>
	Year ended 31 December	
	2023	2022
Basic losses per share	<u>RMB(0.079)</u>	<u>RMB(0.013)</u>

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The diluted losses per share is equal to the basic losses per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2023 and 2022.

14. DIVIDENDS

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2023 (2022: Nil).

15. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>Note</i>)	112,128	78,327
Less: Allowance for impairment losses	<u>(54,116)</u>	<u>(33,614)</u>
	<u>58,012</u>	<u>44,713</u>

Note: As at 1 January 2022, trade receivables from contract with customers amounted to approximately RMB52,935,000.

Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental receivables from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Payments terms with customers for other operations are mainly on credit. These customers are allowed with a credit period of 0 to 60 days from date of issuance of the invoices.

The following is the aging analysis of gross trade receivables, determined based on the date of the properties were delivered and sales were recognised and services were provided:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	41,462	37,689
6 months to 1 year	10,414	7,573
1 to 2 years	28,634	4,258
Over 2 years	<u>31,618</u>	<u>28,807</u>
	<u>112,128</u>	<u>78,327</u>

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB110,906,000 (2022: RMB76,208,000) which are past due as at the reporting date.

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The movements in the allowance for impairment losses of trade receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
At the beginning of year	33,614	27,922
Impairment losses recognised	20,502	6,442
Impairment losses reversed	—	(750)
	<u> </u>	<u> </u>
At the end of year	<u>54,116</u>	<u>33,614</u>

16. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
Loans receivables due from related parties (<i>Note a</i>)	1,396,213	1,214,436
Less: Allowance for impairment losses (<i>Note b</i>)	(260,607)	(34,078)
	<u> </u>	<u> </u>
	<u>1,135,606</u>	<u>1,180,358</u>

Notes:

- (a) The balance as at 31 December 2023 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,396,213,000 (2022: RMB1,214,436,000) with a provision of approximately RMB260,607,000 (2022: RMB34,078,000).
- (b) The provisions were made as at 31 December 2023 and 2022 as the directors of the Company consider that the recoverability of certain receivables is uncertain.

The movements in the allowance for impairment losses for other financial assets at amortised cost are as follows:

	As at 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
At the beginning of year	34,078	34,605
Impairment losses recognised	226,529	55
Impairment losses reversed	—	(582)
	<u> </u>	<u> </u>
At the end of year	<u>260,607</u>	<u>34,078</u>

17. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	185,048	231,891
1 to 2 years	24,798	15,401
Over 2 years	140,212	210,015
	<u>350,058</u>	<u>457,307</u>

18. PROVISION FOR LOSSES DUE TO THE DEFAULT OF A JOINT VENTURE'S SYNDICATED BANK LOAN AND EXECUTION OF THE FINANCIAL GUARANTEE CONTRACT

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for losses due to the default of Jinxin's syndicated bank loan and execution of the financial guarantee contract	<u>236,960</u>	<u>206,000</u>

The movements of the provision for losses due to the default of Jinxin's syndicated bank loan and execution of the financial guarantee contract are as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	206,000	–
Losses recognised	<u>30,960</u>	<u>206,000</u>
At the end of year	<u>236,960</u>	<u>206,000</u>

As at 31 December 2023, the Group had equity investment in Jinxin of approximately RMB797,300,000 (2022: RMB1,642,144,000), the carrying amount of other receivables due from Jinxin of approximately RMB756,014,000 (2022: RMB531,437,000), loans receivable due from Jinxin of approximately RMB578,523,000 (2022: RMB623,683,000) and interests receivable due from Jinxin of approximately RMB213,346,000 (2022:RMB187,087,000). In addition, the Group provided financial guarantee for Jinxin's syndicated bank loans and the guaranteed amount was approximately RMB4,872,870,000 (2022: RMB4,731,600,000) including the outstanding principal of approximately RMB4,451,800,000 (2022: RMB4,451,800,000) as well as related interest and bank fees of RMB421,070,000 (2022: RMB279,800,000) as at 31 December 2023, and the Group's equity investment in Jinxin is the collateral for the aforementioned syndicated bank loan.

As described in note 4, the default of Jinxin's syndicated bank loan resulted in the relevant lenders having demanded the Group to fulfil its financial guarantee obligation to repay the loan, and had applied for court's forcible execution, including auction or sale of the assets under collateral including the Group's equity interests in Jinxin. The Group has been communicating with the relevant lenders to suspend or cease the forcible execution and the extension of Jinxin's syndicated bank loan with the banks whereas no conclusive result so far. Therefore, the Group may incur losses due to the default of Jinxin's syndicated bank loan in relation to the financial guarantee ("**losses due to the default of Jinxin's syndicated bank loan and execution of the financial guarantee contract**").

The measurement of expected credit losses in relation to the financial guarantee contract as well as other receivables and other financial assets due from Jinxin was based on the value of Jinxin's net assets, which mainly depended on the value of the related property under development in the PRC held by Jinxin (the "**Related Property**"). For the assessment of the impairment of investment in Jinxin, the Group determined the recoverable amount by reference to the value of its equity interests in Jinxin which was estimated by engaging an independent professional valuer. The valuation of the estimated value of Jinxin were performed based on asset-based approach, which was also mainly depended on the value of the Related Property. The Related Property was valued based on market approach.

When the Group measured the losses due to the default of Jinxin's syndicated bank loan and execution of the financial guarantee contract, different scenarios with different probability of occurrence were considered with several key assumptions, including the estimation of the success of the negotiation to extend Jinxin's syndicated bank loan with the banks, the value of equity interest in Jinxin and Jinxin's related property, the probability of auction or sale of the assets under collateral as well as the possible auction or sales price, and the final settlement amount by foreclosing the collateral asset in the event that the auction fails. The Group engaged an external legal counsel to provide legal analysis for the purpose of assessing the probability of occurrence of the different scenarios. During the year ended 31 December 2023, the Group estimated that the probability of execution of the financial guarantee contract and/or auction of assets under collateral by the relevant lender of Jinxin's syndicated bank loan was appropriately 25% (2022: 20%), and the probability of success in negotiation of extension of Jinxin's syndicated bank loan with the lenders was approximately 75% (2022: 80%). Based on the assessment, the Group recognised losses of RMB30,960,000 during the year ended 31 December 2023 (2022: RMB206,000,000).

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Group:

Disclaimer of Opinion

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

BASIS FOR DISCLAIMER OF OPINION

(1) Multiple Uncertainties Related to Going Concern

As described in Note 4 to the consolidated financial statements, the Group incurred a net loss of approximately RMB1,597,018,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities of approximately RMB71,716,000. As at 31 December 2023, as described in Note 4 and 36 to the consolidated financial statements, the Group’s current liabilities included approximately RMB1,261,034,000 of bank and other borrowings, out of which approximately RMB1,218,538,000 were defaulted and became immediately repayable if requested by the lenders. As at 31 December 2023, however, the Group’s cash and cash equivalents was approximately RMB126,455,000 only. As described in Note 4 to the consolidated financial statements, the defaults of these borrowings were triggered by (1) the deterioration of the financial conditions of its ultimate holding company; (2) the detention and arrest of two former executive directors of the Company by the authorities in the People’s Republic of China; (3) the default of a joint venture namely Shanghai Jinxin Real Estate Co., Ltd. (“**Jinxin**”) syndicated bank loan guaranteed by the Group. As at 31 December 2023, the Group is required to fulfill its guarantee obligation in relation to Jinxin and to repay the loan, including an outstanding principal of approximately RMB4,451,800,000 and related interests and bank fees of approximately RMB421,070,000, and the relevant lenders have the right to apply for court’s forcible execution.

Further as described in Note 4 to the consolidated financial statements, the Group entered into a disposal agreement on 8 April 2024, to which the purchaser (the “**Purchaser**”) conditionally agreed to acquire and the Group conditionally agreed to (i) dispose of entire interest in Jinxin at a consideration of approximately RMB800,000,000; and (ii) assign the rights to the Purchaser in relation to the debts as originally owed by Jinxin to the Group at a consideration of approximately RMB2,610,000,000 (the “**Disposal**”). In May 2024 and June 2024, the Company held the first and the adjourned special meeting for the purpose of approving the Disposal but was not successful due to lack of quorum during the special general meeting or requested by certain shareholders of the Company to further adjourn the special general meeting. On 13 June 2024, the Company announced to further adjourn the special general meeting for approving the Disposal to a date, time and venue to be determined by the board of directors of the Company (the “**Further Adjourned SGM**”). As of the date of this report, the arrangement of the Further Adjourned SGM was not yet determined by the board of directors of the Company.

Pursuant to the sales and purchase agreement in relation to the Disposal (the “**Disposal Agreement**”), the conditions precedent under Disposal Agreement shall be fulfilled on or before 15 June 2024 (the “**Proposed Effective Date**”), or else the Group shall pay the Purchaser liquidated damages which was calculated as described in Note 4 to the consolidated financial statements. As of the date of this report, the Group has not reached any agreement with the Purchaser in relation to the extension of the Proposed Effective Date or pay the liquidated damages as described in Note 4 to the consolidated financial statements or receive any notification from the Purchaser for termination of the Disposal Agreement.

The above events or conditions, along with other matters as set forth in Note 4 and Note 53 to the consolidated financial statements, indicate that material multiple uncertainties exist that may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have been formulating a number of plans and measures to mitigate the liquidity pressure arising from the guarantee granted by the Group for Jinxin’s defaulted syndicated bank loan, and the Group’s other defaulted borrowings, to improve the financial position of the Group, and to remediate the delayed repayments to financial institutions, which are set out in Note 4 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties as disclosed in Note 4 and Note 53 to consolidated financial statements.

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

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

(2) **Material Uncertainties Related to Losses Arising From Jinxin**

As described in Note 25, Note 38 and Note 48 to the consolidated financial statements, as at 31 December 2023, the Group's equity investment in Jinxin was approximately RMB797,300,000, the Group's provision for losses due to default of Jinxin's syndicated bank loan and execution of the financial guarantee contract was approximately RMB236,960,000, and the Group had carrying amount of other receivables due from Jinxin of approximately RMB756,014,000 (after net off the allowance for impairment losses of approximately RMB318,087,000), loans receivable due from Jinxin of approximately RMB578,523,000 (after net off the allowance for impairment losses of approximately RMB244,618,000), and interests receivable due from Jinxin of approximately RMB213,346,000 (after net off the allowance for impairment losses of approximately RMB89,960,000) (the "**Jinxin Balances**").

When the Group measured the losses in relation to Jinxin Balances (collectively referred as "**Losses Arising From Jinxin**"), multiple scenarios were considered to estimate the amount of the losses based on several key assumptions, including the probability of successful extension of Jinxin's syndicated bank loan, the value of equity investment in Jinxin and the property held by Jinxin which were both pledged as collateral for the Jinxin's syndicated bank loan, the probability of successful disposal of such assets, the estimated recoverable amount from the disposal, and the estimated final settlement amount by foreclosing such assets under collateral in the event that the Disposal fails to proceed. During the year ended 31 December 2023, based on these key assumptions, the Group (a) did not make any impairment losses or reversal of impairment losses on its equity investment in Jinxin; (b) made impairment losses on financial guarantee contracts relating to Jinxin's syndicated bank loan amounting to approximately RMB30,960,000; and (c) made impairment losses on receivables due from Jinxin amounting to approximately RMB622,223,000. The Losses Arising From Jinxin comprise of (a), (b) and (c) above, and the relevant details was also set out in Note 25, Note 38, Note 48 and Note 53 to the consolidated financial statements respectively.

In addition, there are material uncertainties related to the possible consequences arising from the default of Jinxin's syndicated bank loan guaranteed by the Group, we were unable to assess the reasonableness of certain key assumptions impacting the estimated losses calculation, including the probabilities of successful extension of Jinxin's syndicated bank loan and disposal of the assets under collateral, as well as the estimated disposal price, and the estimated final settlement amount by foreclosing the assets under collateral in the event that the Disposal fails to proceed.

Given the probability assessment is not appropriately supported, other material uncertainties mentioned above and the basis for independent auditor's disclaimer of opinion for the Group's consolidated financial statements for the year ended 31 December 2022, it is not practicable for us to quantify the misstatement or perform other alternative audit procedures to satisfy ourselves as to whether the Group's Losses Arising From Jinxin for the year ended 31 December 2023, the Jinxin Balances as at 31 December 2023, and their associated tax impact together with the related opening balances were subject to any further adjustments which might have a material consequential effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, the consolidated statement of financial position as at 31 December 2023 and the related disclosures in these consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed disclaimer of opinion on those financial statements on 25 August 2023.

BUSINESS REVIEW

2023 is the first year of implementing the spirit of the 20th National Congress of the Communist Party of China and the first year after the initial recovery from the three-year pandemic. During the year, a series of policies and measures were introduced from the central government to the local government to focus on stabilising growth and seeking development. However, at the current stage, the road to economic recovery is still full of twists and turns, and the real estate market continues to be in the bottom adjustment stage. During the year, the policy strength of the real estate industry continued to increase, and local policies loosen up to enable a boost. The real estate industry experiences an initial impact, but it is still faced with the dilemma of insufficient internal power, and the real estate market has not shown obvious signs of recovery in supply and transaction, and the confidence in house purchase in the market is yet to be restored. In the face of the uncertainty of the business environment, the Company's operation management team continues to rise up against the difficulties, focusing on resolving debt and risks, ensuring the delivery of key development projects and facilitating sales collection, improving the operating lease and collection rate of commercial properties, strengthening the brand power of investment attraction, and promoting the revitalisation of inefficient and ineffective assets, so as to realise the orderly and stable operation of the Company.

During the year ended 31 December 2023, the differentiation pattern of the top 100 real estate enterprises in the industry continues, and improved demand was released continuously. The core management team of the Group focused on the main business, actively carried out various operating tasks of the Company, secured revenue, controlled costs, coordinated and allocated funds between multiple parties, properly addressed the liquidity issues of the Company, maintained a relatively stable operating status under the strong pressure of survivability in the real estate industry, focused on addressing historical problems, and continued to improve the Company's operating efficiency and competitiveness. In terms of the operation of development projects, a number of projects such as Shanghai Lake Malaren World, Changsha Oasis Albany and Romduol City in Phnom Penh, Cambodia were in continuous construction and sales during the year. In terms of commercial property operation, the Group gathered commercial operation assets in Shanghai and Shenyang, continued to make efforts at the level of brand investment attraction, and made a name for high-quality business.

In 2023, the Group's major projects available for sale were Changsha Oasis Albany, Shanghai Lake Malaren Mansion, Shanghai Huangpu Huating, 75 Howard in the USA and Romduol City in Cambodia. In 2023, the Group together with its joint Ventures and associates had contracted sales amounting to approximately RMB624 million, with a total contractual gross floor area of approximately 45,431 m².

Project	Amount of Sales Contracts (RMB'000)	Contractual Gross Area (m²)
Changsha Oasis Albany	268,694	28,580
Shanghai Lake Malaren Mansion	224,216	7,129
Shanghai Huangpu	49,689	3,423
75 Howard in the USA	43,494	333
Romduol City in Cambodia	23,059	2,335
Others	<u>14,795</u>	<u>3,631</u>
Total	<u>623,947</u>	<u>45,431</u>

In 2023, the Group recorded net revenue of approximately RMB599 million (2022: RMB276 million). Gross profit for 2023 amounted to approximately RMB43 million (2022: gross profit of RMB131 million).

REVENUE

	2023	2022
Revenue from contract with customers recognised at a point in time		
– Revenue from sale of properties	392,979	87,532
– Revenue from hospital service	8,450	<u>10,650</u>
	<u>401,429</u>	<u>98,182</u>
Revenue from contract with customers recognised over time		
– Revenue from hospital service	19,806	31,998
– Revenue from construction of infrastructure for intelligent network	438	2,397
– Revenue from property management service	29,115	<u>29,304</u>
	<u>49,359</u>	<u>63,699</u>
Revenue from property leasing	149,076	115,530
Less: Tax and surcharges	(1,263)	<u>(1,495)</u>
Total revenue	<u>598,601</u>	<u>275,916</u>

DEVELOPMENT PROJECTS

The Group's key projects under development include projects such as Shanghai Lake Malaren World, Changsha Oasis Albany and Romduol City in Phnom Penh, Cambodia. In 2023, the project companies established reasonable operational plans with key focus on timely delivery, upheld the principle of "sales-based production", maintained stable cash flow and operational safety as a whole, enhanced the refined management and control over construction projects, ensured completion of delivery milestones as scheduled, and achieved steady growth in sales collection.

Property Development Business

Shanghai Lake Malaren Mansion

During the year, the project focused on promoting construction and sales, and successfully completed the delivery of the first section, with a total completed area of approximately 22,400 m² and a total of 35 buildings. The completion filing was completed before 30 August 2023, and the delivery was completed before 30 September 2023. The delivered housing area was approximately 10,000 m². There was no public opinion and safety incidents. Under the generally cold situation in the Shanghai commercial office market during the year, the project cash flow remained stable, laying the foundation for the subsequent development of the second and third sections.

Changsha Oasis Albany

In the first half of 2023, the project signed contracts with reputable local educational resources, which aided project sales to a certain extent. During the year, through communication with the government, the original construction indicators for the construction of schools were optimised, and surrounding projects were coordinated to share the costs, so as to reduce the total construction investment costs. During the year, the focus was to ensure the delivery of the project in accordance with the contract, and the overall delivery of the first batch of four buildings in the first phase was successfully completed. There were no delivery or public opinion incidents, and we maintained a good market reputation for the project.

Jiaxing Project

The project has entered the final stage of settlement. During the year, the settlement of land appreciation tax settlement for Phase II of Lanwan has been successfully completed, and maintained the stable operation of the project company.

Dalian Albany Mansions

The project continued to promote the preparations for pre-development for the project, sorted out the preliminary information and deepened the operation plan, and laid out the operation nodes and cash flow. Affected by unfavourable factors such as the downturn of the real estate market in Northeast China, construction did not resume during the year. During the year, the Group focused on the historical difficulties of the project, maintained close communication with the government, and jointly formulated the implementation of feasible relief plans to resolve the temporary difficulties of the project and realise asset revitalisation.

Romduol City in Phnom Penh, Cambodia

In 2023, the project focused on promoting the delivery of sold houses. Through the coordination of the project team with great efforts, the project team successfully obtained external financing capital injection by the end of the year. Affected by positive factors such as the acceleration of project progress, the project sales work achieved a certain breakthrough by the end of the year, and the total monthly transaction volume was highly ranked in the Phnom Penh area in Cambodia.

75 Howard in the USA

The project has obtained the final completion certificate. During the year, under the unfavourable situation of the continuous interest rate hikes by the Federal Reserve and stagnant sales, the Group successfully achieved a breakthrough in signing contracts in the second quarter through the expansion of sales channels. After the extension of the original development loan was completed at the beginning of the year, the project refinancing was completed within the extension period in the middle of the year, successfully ensuring the project's operational safety. Moving forward, the Group will continue to expand sales channels and promote project sales collection.

Requisitioning

Shanghai Daxing Street Project

The requisitioning work of the project has entered the final phase. During the year, we focused on the safety of the foundation and the management of housing resources. By the end of 2023, around 99.5% of the households signed contracts on requisitioning, and the relocation rate was 99.1%. 100% of the enterprises signed contracts on requisitioning, and the relocation rate was 95.45%. There are only 2 units that have yet to be relocated.

Shanty Town Renovation Project in Zhangjiakou

Combined with the sales of the real estate in Zhangjiakou, we maintained close communication with the government during the year, discussed asset revitalisation plans for multiple rounds, and negotiated multiple times on relevant paths. However, due to the downturn of the real estate market, the relevant work has yet to make a breakthrough, and we will continue to promote the revitalisation of project assets through various channels in the future.

Land Bank

As at 31 December 2023, the Group owned a land bank with a total gross floor area of approximately 1.40 million m² in among other places Shanghai, Changsha, Dalian, San Francisco and Phnom Penh. The Company stays abreast of industry development dynamics, explores its own resources and advantages and is committed to discovering assets which are underestimated or with growth potential.

Commercial Property Operation

In 2023, the customer traffic and occupancy rate of commercial properties improved. Affected by unfavourable factors such as the general decline in leasing capacity of tenants, the Group's commercial properties maintained stable operation. Each commercial operation unit would strive to enhance the refined management of projects, optimise the daily operation and property management procedures, etc., and plan to further improve the process efficiency and data transparency by adopting a business management system, aiming to maximise the value of commercial assets in the future.

Shanghai Oasis Central Ring Center

As a landmark of the Shanghai Central Ring business district, the project is created by adopting the design of a complex eco-business cluster in the form of a circular commercial street connected with office buildings. In 2023, the project focused on commercial brand upgrades by introducing chain brands such as Starbucks, KFC, and Domino's Pizza, further enhancing the vitality of commercial operation.

Shanghai Lake Malaren Exotic Street

The project focuses on creating an exotic town with a "micro-vacation sports and leisure" theme based on Nordic architectural styles, and creating an open-air leisure space. The project continued to expand its brand merchants, focused on the core of business development, and at the same time paid close attention to the growth of new businesses, so as to open up new basis of revenue for the Company. During the year, high-quality merchants such as Dayin Bookstore, Himaxx and One Step Garden were introduced to settle in, continuously improving the vitality of regional commercial development and brand gathering ability.

Lake Malaren Obstetrics and Gynecology Hospital

Lake Malaren Obstetrics and Gynaecology Hospital is a specialist obstetrics and gynecology hospital that integrates medical treatment, prevention, healthcare and rehabilitation. It has several departments such as obstetrics and gynecology and neonatology. During the year, affected by market factors such as the continuous decline in birth rate, the hospital made continuous efforts to increase revenue and reduce costs through high-quality medical services, efficient management, technological innovation, marketing and talent training. Additionally, in line with the development of the age and changes in the needs of patients, the hospital has continuously adjusted and optimised its business strategies, including but not limited to exploring external partnerships and other methods to ultimately improve the hospital's asset yield.

Shenyang Rich Gate Shopping Mall

The project relies on children's education and parent-child themed service industry, while gradually introducing interactive business formats related to health and better lifestyles, which aims to further enhance the competitiveness of commercial operation. The occupancy rate of the project has shown a positive trend from April onwards and has steadily increased, continuously strengthening rental collection, deeply implement cost reduction and efficiency improvement, and reducing energy consumption costs. Going forward, the tenant sourcing team will focus on expanding brand resources to realise increase in project operation.

MAJOR TRANSACTIONS

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting year under review.

THE GROUP'S HONOURS

1. Shanghai Lake Malaren Town Enterprise Management Co., Ltd was awarded the "Safe Demonstration Unit of Baoshan District in 2023" by Shanghai Baoshan District Construction and Coordination Group
2. Shanghai Lake Malaren International Convention Centre was awarded the "Safe Demonstration Unit of Baoshan District in 2023" by Shanghai Baoshan District Construction and Coordination Group
3. Shanghai Lake Malaren International Convention Centre was awarded the "Advanced Unit in Fire Safety Work in 2023" by Shanghai Fire Safety Professional Committee
4. Shanghai Lake Malaren International Postpartum Club was awarded the "CBME China Maternity, Infant and Child Industry Award in 2023" by China Maternity, Infant and Child Industry Association

5. Shanghai Lake Malaren International Conference Center was awarded the “Advanced Unit in 2023” by Shanghai Baoshan District Hotel Industry Development Association

BUSINESS OUTLOOK

In 2023, the scale of real estate sales in China remained at a low and stable position, and the policy stimulus showed a trend of “First high, then low, lastly stable”. In 2024, first at the policy level, it is expected that policy support would continue to increase in areas such as financial support and transaction taxes to ensure the stable and healthy development of the real estate industry; Secondly, in terms of market, the uncertainty of the internal and external environmental impact is still relatively large, and the market has shown a significant downward trend again after a temporary recovery in 2023, and the overall market is still relatively sluggish. In the future, on top of the basis of policy support, real estate enterprises still need to further restore the confidence of property purchasers, maintain stable operations, adapt to new changes in the situation and achieve their own business goals.

The Group will also continue to maintain stable operation of its core businesses and strive to achieve revenue from new businesses. Firstly, in terms of cash flow, we will accelerate the collection of sales from constructing and existing projects, and continue to implement the principle of “sales-based production” on the basis of ensuring delivery, so as to maintain the stability of cash flow of each development project; we will actively adapt to new changes, and plan to promote the revitalisation and realisation of inefficient and ineffective property assets through various ways such as introducing strategies investors; we will also promote the collection progress of equity interest of key projects according to plans and realise recovery of cash flow. Secondly, in terms of ensuring operational safety, the Company will follow the principle of “focusing on risks, ensuring corporate security, and achieving annual operational targets”, and make solid efforts in corporate operation. Thirdly, in terms of real estate development and construction, the Company will establish reasonable operational plans, enhance refined management, ensuring the completion of delivery milestones as scheduled, and carry out construction work in an orderly manner. Fourthly, in terms of commercial property operation, we will continue to enhance overall revenue of assets through aspects such as “asset operation”, “asset revitalisation”, “performance management” and “incentive system”, and enhance the professional capabilities of asset operation and property management. Fifthly, in terms of corporate management, the Group will further optimise its accountability system as and where appropriate to match the changes of the corporate business development, strictly control human resources and human costs, optimise its personnel structure, enhance capabilities of talents, improve individual productivity, and enhance overall professional competitiveness of the team. Sixthly, in terms of revenue generation from new businesses, the Group will rely on the establishment of property service management platform to create new business profits. In the future, the Company will take advantage of the positive changes in the external environment, improve its main business, and expand new tracks relying on existing resources to achieve stable and positive development of corporate operation.

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2023, the Group recorded net revenue of approximately RMB599 million (2022: RMB276 million), which represents an increase by approximately 117% compared to that of 2022. Loss attributable to owners of the Company in 2023 was approximately RMB1,618 million (2022: loss of RMB268 million), and the significant increase in loss was mainly due to: (1) as a result of the default of the syndicated bank loan of the Shanghai Daxing Road Project in 2023, there were significant loss from share of results of a joint venture, while significant impairment allowance was provided for other receivables and other financial assets at amortised cost related to the joint venture after the Group's carefully evaluation; and (2) certain impairment allowance being provided for certain investment properties, inventories of properties and other receivables after the Group's careful evaluation as a result of continuing downturn in domestic real estate market and macro economic environment in 2023.

DIVIDEND

The Board has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2023 (2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, bank balances and cash amounted to approximately RMB127 million (2022: RMB101 million) and restricted bank deposits amounted to approximately RMB4 million (2022: RMB4 million). Working capital (net current liabilities) of the Group as at 31 December 2023 amounted to approximately RMB72 million (2022: net current assets of RMB752 million), representing a decrease of 110% as compared to the preceding year, and the current ratio was approximately 0.99x (2022: 1.16x).

As at 31 December 2023, the Group's total liabilities to total equity increased to 3.96x (2022: 2.26x). As at 31 December 2023, the Group's gearing ratio was approximately 69% (2022: 55%), calculated on the basis of the Group's net borrowings (comprising of bank and other borrowings amounted to approximately RMB5,091 million (2022: RMB4,453 million), non-trade other payables due to related parties amounted to approximately RMB889 million (2022: RMB874 million), and deducting bank balances and cash of approximately RMB127 million (2022: RMB101 million) and restricted bank deposits of approximately RMB4 million (2022: RMB4 million)) divided by the sum of Group's total equity amounted to approximately RMB2,662 million (2022: RMB4,276 million) and net borrowings as above.

EMPLOYEES

As at 31 December 2023, the Group had 335 (2022: 382) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2023 amounted to approximately RMB95 million (2022: RMB127 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2023, total bank and other borrowings of approximately RMB2,261 million (2022: RMB1,465 million) were secured by mortgage of the Group's certain property, plant and equipment, right-of-use assets, investment properties and inventories of properties, or by pledge of equity interests in a joint venture, certain equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB61 million (2022: approximately RMB98 million) and these contracts were still effective as at the close of business on 31 December 2023.

The Group also provided guarantee to the syndicated bank loan for a joint venture of the Group. As at 31 December 2023, such guarantee amounted to approximately RMB4,452 million (2022: approximately RMB4,452 million) and the related interest and bank fees of RMB421.1 million (2022: approximately RMB279.8 million).

As at 31 December 2023, the Group provided a guarantee to a joint venture's bank borrowings of approximately RMB378 million (31 December 2022: RMB280 million).

As at 31 December 2022, the Group provided a completion guarantee on the development of 75 Howard, a joint venture of the Group in relation to the development loans balance of approximately US\$98 million (equivalent to approximately RMB687 million) and such completion guarantee was released during the 31 December 2023.

EVENTS AFTER THE REPORTING YEAR

a) Disposal of equity interests in two subsidiaries and assignment of loan

On 6 February 2024, the Group entered into two disposal agreements with CMI Financial Holding Corporation (an indirect wholly-owned subsidiary of China Minsheng Investment Corp. Ltd.* (中國民生投資股份有限公司), a controlling Shareholder and ultimate holding company of the Group), subject to conditions, to (1) sell 100% equity interest of Bowin International Limited (a wholly-owned subsidiary of the Group) at the consideration of approximately US\$15.37 million and assign a loan together with all rights, title, interest and benefits at the consideration of approximately US\$5.93 million; and (2) 7.66% equity interest of Cheswing Limited (a wholly-owned subsidiary of the Group) at the consideration of US\$4 million. For details of the two disposal agreements and the transactions contemplated thereunder, please refer to the Company's announcements in relation to the major transaction and connected transaction dated 6 February 2024, 28 March 2024, 10 May 2024 and 21 June 2024. On 20 June 2024, CMI Financial Holding Corporation issued a letter to the Group for requesting for a negotiation for an extension of the original long-stop date (i.e. 31 May 2024) of the aforesaid disposal agreements for a period of not more than six months. As at the approval date of these consolidated financial statements, the aforesaid transactions have not been completed and are subject to independent Shareholders' approval at a general meeting.

b) One government office withdrew a legal proceeding

In March 2023, one government office filed a legal claim against the Company and one subsidiary in the PRC, demanding the Group and the subsidiary to repay entire payables principal of RMB81 million and related interests, and requested the court to seize two pieces of land of the Group located in Dalian. The Group reached a settlement agreement with the above government office in March 2024. Subsequently, a withdrawal of the legal proceeding was submitted by the government office and approved by the court on 10 April 2024, and the previously seized two pieces of land were approved to be released accordingly. On 29 April 2024, the aforesaid government office issue a debt settlement certificate.

c) **Disposal of equity interest in a joint venture and assignment of rights under certain debts**

On 8 April 2024, the Group conditionally entered into a disposal agreement with Zhongchong Investment Group Co., Ltd* (中崇投資集團有限公司) (an independent third party of the Company) to dispose of the 51% of Equity Interest of Shanghai Jinxin Real Estate Co., Ltd.* (上海金心置業有限公司) (“**Jinxin**”) (a joint venture of the Group) and assign the rights under certain debts of the Jinxin, at an aggregate consideration of RMB3.41 billion (subject to adjustment) less Jinxin’s payment obligation to Ningbo Zhongqing Trading Co., Ltd.* (寧波眾慶貿易有限公司) in the amount of approximately RMB32.5 million. For details of the disposal agreement and the transaction contemplated thereunder, please refer to the Company’s announcements in relation to the very substantial disposal dated 8 April 2024, 29 April 2024, 29 May 2024 and 13 June 2024 and the Company’s circular dated 10 May 2024. On 29 May 2024, the Company held an special general meeting (the “**Original SGM**”) for the purpose of approving the aforesaid disposal transaction. During the Original SGM, the Board announced that due to the lack of quorum was present within thirty minutes from the time appointed for the Original SGM, the Original SGM was adjourned and the Board announced that the adjournment of the Original SGM (“**the Adjourned SGM**”) will be held on 13 June 2024. On 13 June 2024, certain shareholders of the Company requested to further adjourn the special general meeting to a date, time and venue to be determined by the Board (“**the Further Adjourned SGM**”) during the Adjourned SGM. As at the approval date of these consolidated financial statements, the arrangement for the Further Adjourned SGM was not yet determined by the Company. As at the approval date of these consolidated financial statements, the aforesaid transactions have not been completed and are subject to Shareholders’ approval at the general meeting.

d) **Change of chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee, Process Agent and Authorised Representative**

Mr. Qin Guohui has resigned from chairman of the Board, chairman of the Nomination Committee and the Investment Committee of the Company with effect from 3 August 2024, and has ceased to act as the authorised representative of the Company for accepting service of process and notices on behalf of the Company in Hong Kong (“**Process Agent**”) and authorised representative of the Company (“**Authorised Representative**”) under Rule 3.05 of the Listing Rules) with effect from 29 August 2024. As replacement, Mr. Xu Ming has been appointed as the chairman of the Board, chairman of the Nomination Committee and the Investment Committee of the Company with effect from 3 August 2024, and Process Agent and Authorised Representative with effect from 29 August 2024. For details, please refer to the Company’s announcement dated 3 August 2024 in relation to the change of chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee, and the Company’s announcement dated 29 August 2024 in relation to the change in the Process Agent and Authorised Representative.

e) **Enforcement ruling of Jinxin**

Jinxin and certain subsidiaries of the Group, namely Shunlink Investment Limited (上聯投資有限公司), Gaken Investment Limited (嘉勤投資有限公司), SRE Jiaye Real Estate Development (Shanghai) Company Limited (上置嘉業房地產發展(上海)有限公司) and Shanghai Oasis Garden Real Estate Company Limited (上海綠洲花園置業有限公司) (altogether, the “**Enforcees**”), have received an enforcement ruling dated 12 September 2024 and numbered (2023) Hu 74 Zhi No.1509* ((2023) 滬74執1509號《執行裁定書》) (the “**Ruling**”) from the Shanghai Financial Court (上海金融法院). It was stated in the Ruling that according to the civil mediation document numbered (2022) Hu 74 Minchu No. 2987* ((2022) 滬74民初 2987號《民事調解書》) (the “**Mediation Document**”), the Enforcees and other relevant parties shall pay to the Lenders the principal amount of the Loan in the amount of approximately RMB4,451,820,000, together with corresponding interests and management fees and shall also bear the enforcement fee of approximately RMB4,519,220 in respect of the action.

Pursuant to the Ruling, given that the defendants (including the Enforcees) failed to perform their obligations under Mediation Document, the Shanghai Financial Court has ruled to force actions on (i) the 18.80% equity interests in Jinxin, held by Shanghai Oasis Garden Real Estate Company Limited; (ii) the 18.42% equity interests in Jinxin held by Shunlink Investment Limited; (iii) the 7.89% equity interests in Jinxin held by Gaken Investment Limited; and (iv) the 5.89% equity interests in Jinxin held by SRE Jiaye Real Estate Development (Shanghai) Company Limited (the “**Enforcement Action**”). The equity interests in Jinxin held by the Enforcees are mainly enforced by way of transfer through judicial auction. The specific actions to be taken shall be subject to further notice from the Shanghai Financial Court. For details, please refer to the Company’s announcement dated 18 September 2024 in relation to, among other things, the inside information regarding the Ruling and the Enforcement Action.

INFORMATION ON BUSINESS REVIEW

The Group is committed to supporting environmental sustainability. Being an integrated real estate developer, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognises that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sales of treasury shares (as defined in the Listing Rules)) during the year ended 31 December 2023.

As at 31 December 2023, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices and confirmed that save as otherwise disclosed below, the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix C1 of the Listing Rules throughout the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made of all directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2023. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. SHINEWING (HK) CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 21 September 2024. The work performed by Messrs. SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no opinion or assurance conclusion has been expressed by Messrs. SHINEWING (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (<https://www.sre.com.hk>) and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (<http://www.hkexnews.hk>). The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company who request the printed copies and published on the websites of the Company and the Stock Exchange in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 April 2023 and will continue to be suspended, pending the fulfilment of the Resumption Guidance and the grant of approval of the Stock Exchange for the resumption of trading of the shares.

Shareholders of the Company and potential investors should exercise caution when dealing in the Company’s shares.

By Order of the Board
SRE Group Limited
Xu Ming
Chairman

Hong Kong, 21 September 2024

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Xu Ming, Mr. Kong Yong, Mr. Qin Guohui and Mr. Jiang Qi; two non-executive directors, namely Mr. Lu Jianhua and Mr. Pan Pan; and three independent non-executive directors, namely Mr. Zhuo Fumin, Mr. Ma Lishan and Mr. Chui Man Lung, Everett.

* *For identification purpose only*