天譽置業(控股)有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00059 and Bonds Stock Code: 5310, 5311, 5367, 5379, 5567, 5580, 5602, 5626, 5821 and 5855)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the consolidated final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023, together with comparative figures for the corresponding year of 2022. The consolidated final results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*2*	**1,632,355**	2,069,989
Cost of sales and services		**(1,716,150)**	(2,275,233)
Gross loss		**(83,795)**	(205,244)
Other (losses)/income and gains – net		**(23,514)**	18,810
Sales and marketing expenses	*4*	**(170,539)**	(175,796)
Administrative and other expenses	*4*	**(492,571)**	(420,042)
Fair value changes in investment properties		**(294,500)**	(204,447)
Impairment loss on properties under development and properties held for sale		**(928,212)**	(1,169,096)
Impairment loss on interest in a joint venture		**(20,162)**	(20,161)
Impairment loss on property, plant and equipment		**(1,000)**	(1,669)
Impairment loss on trade receivables, other receivables, deposits and prepayments		**(177,598)**	(116,670)
Impairment loss on amounts due from non-controlling interests		**(154,429)**	(117,028)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale		–	(12,093)
Fair value changes of financial assets at fair value through profit or loss ("**FVPL**")		–	(249,219)
Loss on disposal of a subsidiary		**(7,725)**	(77,361)
Operating loss		**(2,354,045)**	(2,750,016)
Share of loss on a joint venture, net of tax		–	(3,988)
Share of loss on an associate, net of tax		–	(641)
Finance costs – net	*3*	**(1,219,370)**	(1,089,734)
Loss before income tax	*4*	**(3,573,415)**	(3,844,379)
Income tax (expense)/credit	*5*	**(280,611)**	249,690
Loss for the year		**(3,854,026)**	(3,594,689)

	Note	2023 RMB'000	2022 RMB'000
Other comprehensive loss, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		–	(138,674)
Total comprehensive loss for the year		**(3,854,026)**	(3,733,363)
Loss for the year attributable to:			
– Owners of the Company		**(3,489,387)**	(3,491,272)
– Non-controlling interests		**(364,639)**	(103,417)
		(3,854,026)	(3,594,689)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(3,489,387)**	(3,629,946)
– Non-controlling interests		**(364,639)**	(103,417)
		(3,854,026)	(3,733,363)
Loss per share			
– Basic and diluted (expressed in RMB)	*6*	**(0.413)**	(0.414)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**62,686**	112,095
Right-of-use assets		**204,928**	216,087
Investment properties		**2,626,600**	3,019,134
Interest in a joint venture		–	20,162
Interest in an associate		–	89,359
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**75,023**	–
Properties under development		**4,708,025**	–
Prepayments	*8*	**352,351**	–
Deferred tax assets		**194,144**	526,251
		8,223,757	3,983,088
Current assets			
Properties under development		**6,542,436**	11,840,893
Properties held for sale		**2,315,754**	2,469,807
Trade receivables	*8*	**144,934**	181,557
Other receivables, deposits and prepayments	*8*	**3,185,921**	5,105,497
Contract costs		**114,098**	282,207
Restricted cash		**210,811**	493,279
Cash and cash equivalents		**52,694**	83,644
		12,566,648	20,456,884
Assets of a disposal subsidiary classified as held for sale		–	1,525,239
		12,566,648	21,982,123
Current liabilities			
Trade payables	*10*	**23,768**	35,952
Accruals and other payables	*10*	**5,378,536**	5,437,758
Contract liabilities		**2,739,133**	4,165,517
Lease liabilities		**17,507**	17,507
Bank and other borrowings	*9*	**7,732,814**	6,746,359
Income tax payable		**1,731,856**	1,620,398
		17,623,614	18,023,491
Liabilities of a disposal subsidiary classified as held for sale		–	985,607
		17,623,614	19,009,098
Net current (liabilities)/assets		**(5,056,966)**	2,973,025
Total assets less current liabilities		**3,166,791**	6,956,113

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Bank and other borrowings	*9*	**4,887,675**	4,690,058
Lease liabilities		**212,209**	191,715
Deferred tax liabilities		**261,701**	367,229
		5,361,585	5,249,002
Net (liabilities)/assets		**(2,194,794)**	1,707,111
Equity			
Share capital		**26,092**	26,092
Other reserves		**1,824,868**	1,717,603
Accumulated losses		**(4,739,937)**	(1,143,285)
(Capital deficiency)/equity attributable to owners of the Company		**(2,888,977)**	600,410
Non-controlling interests		**694,183**	1,106,701
(Capital deficiency)/total equity		**(2,194,794)**	1,707,111

1. BASIS OF PREPARATION

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(b) Historical cost convention and presentation currency

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at FVOCI which are carried at fair value.

Disposal subsidiary held for sale are stated at the lower of their carrying amounts and fair values less costs of disposals.

(c) Going concern basis

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans and measures.

The Group reported a loss of approximately RMB3,854,026,000, a loss attributable to the owners of the Company of approximately RMB3,489,387,000 for the year ended 31 December 2023.

As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB5,056,966,000 and RMB2,194,794,000, respectively, the Group's total bank and other borrowings amounted to approximately RMB12,620,489,000 and the Group has total commitment of approximately RMB6,593,387,000, while the Group has total bank balances and cash (including restricted cash) of approximately RMB263,505,000.

As at 31 December 2023, the Group's borrowings to the extent of approximately RMB5,737,281,000 were either overdue or immediately repayable despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 31 December 2023. This is mainly because:

(i) As at 31 December 2023, the Group failed to make principal payments totaling approximately RMB4,852,269,000 under the relevant terms and conditions of its loans and senior notes. This constituted an event of default under the respective terms of senior notes and bonds. As a result, the outstanding principal amounts of the senior notes and bonds totaling approximately RMB386,112,000 became immediately due and payable with original contractual repayment date in 2024, 2031, 2032 and 2034 have been classified as current liabilities as at 31 December 2023; and

(ii) As at 31 December 2023, current secured bank borrowings with principal amount of approximately RMB498,800,000 with contractual repayment date of 19 February 2024 contains a repayable on demand clause.

During the year ended 31 December 2023, a bank in Hong Kong initiated certain legal actions against the Group in respect of a bank borrowing which was defaulted in 2022 with an outstanding principal amount of HK$340,000,000 and the interest and default interest payables of approximately HK$114,818,000 as at 31 December 2023. The bank borrowing was mainly secured by certain properties located in the People's Republic of China (the "**PRC**") with carrying amount totalling of approximately RMB813,946,000 (the "**Pledged Properties**") as at 31 December 2023 and 100% equity interest of a subsidiary incorporated in Hong Kong, which is the immediate holding company of the company incorporated in the PRC holding the Pledged Properties. The legal actions mainly include (i) an arbitration in the PRC initiated by the bank which resulted in a legal proceeding with the Guangdong Province Guangzhou City Intermediate People's Court of the PRC. Pursuant to the court order, certain Pledged Properties, with a carrying amount of approximately RMB326,794,000 were frozen and seizure, which were restricted from transfer or pledge during the existence of the court order but the operations of the PRC subsidiary will not be hindered by the imposition of the court order; and (ii) an appointment of joint and several receivers and managers (collectively, the "**Receiver**") in Hong Kong at the instruction of the bank over the charged shares of a subsidiary of the Group (collectively, the "**Charged Shares**") which could be registered under the names of the Receiver (the "**Receivership**"), pursuant to the powers contained in the respective loan agreement. Receivership over the Charged Shares may result in the sale of the Charged Shares to other third-party purchasers according to the relevant law. As at 31 December 2023 and up to the date of the approval of the consolidated financial statements, the litigation in Hong Kong had not yet concluded, no action has yet taken or been identified in respect of the sale of the Pledged Properties, and that no settlement agreement has been entered into in respect of the disposal of the Charged Shares.

During the year ended 31 December 2023, the Group failed to make payment of bank borrowing with principal amount of RMB498,800,000, the bank has initiated the relevant procedures of enforcing charges. For principal amount and interest payable of approximately RMB498,800,000 and RMB45,770,000, as at 31 December 2023. The carrying amount of underlying pledged assets as at 31 December 2023, which include properties under development and properties held for sale, were amounting to approximately RMB1,773,000,000 and RMB1,341,000, respectively. The legal procedures of the enforcement have not been completed as at 31 December 2023.

In November 2023, the Company had been notified by the receivers of the mortgage and revolving loan with an outstanding principal and the accrued but unpaid interest thereon of approximately HK$242,195,000 respectively, that a formal sale and purchase agreement for disposal of one of the office premises and two car parking spaces classified as "Investment Properties" and "Property, plant and equipment" respectively had been signed at consideration of HK$145,880,000 (equivalent to approximately RMB132,721,000). The net proceeds from such disposal were used to repay the outstanding mortgage and revolving loan due by the Group.

As at 31 December 2023 and as of the date of approval of the consolidated financial statements, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters, for which the Group had made the provision and relevant disclosure on contingent liabilities in accordance with the legal advices.

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 financial resources to continue as a going concern. Certain measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

(i) The Group has further flattened the organisational structure to reduce the management levels, enhance management efficiency and effectively control costs and expenses;

(ii) The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of the consolidated financial statements, the Group has completed the settlement arrangements with certain creditors with an aggregate amount of approximately RMB4,629,000;

(iii) The Group has been actively negotiating with other lenders on the repayment or extension of borrowings, and up to the date of approval of the consolidated financial statements, the Group has disposed of certain of its investment properties and property, plant and equipment and formulated certain plans for the settlement of borrowings of approximately RMB131,637,000 (net of transaction costs); and

(iv) The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from financial institutions, special borrowings and supporting borrowings and assets disposals. Up to the date of approval of the consolidated financial statements, the Group has obtained new financing or additional capital for certain projects through the above channels.

At the same time, the Group will continue to implement the following plans and measures:

(i) In relation to the secured and non-secured bank borrowings which contain cross default clause, the Group is actively negotiating with the lenders for the waiver of the relevant clause.

(ii) The Group is identifying and negotiating with potential investors to invest in various projects undertaken by the Group.

(iii) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group.

(iv) The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustment and containment of capital expenditures.

(v) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceed so as to generate adequate net cash inflows.

(vi) The Group has uncommitted project loan facilities and other general facilities which can provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations.

(vii) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

(viii) The Group will continue to reach an amicable solution with settlement proposal to the litigations which have not yet reached a definite outcome at the current stage.

At the same time, the Group will continue to follow up on the debt restructuring that has not yet been completed. As of the date of approval of the consolidated financial statements, the progress is as follows:

(i) The Company has been working closely with its legal and financial advisors and the joint provisional liquidators (the "**JPLs**") to formulate a viable debt restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all shareholders. Over the past few months, the Company, its respective creditors and advisors have been engaged in construction discussion towards a consensual debt restructuring.

(ii) On 29 September 2023, the Group entered into a restructuring support agreement (the "**RSA**") with respective creditors in relation to the terms of the debt restructuring. The contemplated debt restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilise the business; and (iii) protect the rights and interests, and maximise value, for all shareholders. The proposed debt restructuring effective date is yet to be determined and the proposed debt restructuring is subject to the approval by the requisite majorities of the relevant Scheme Creditors and pending approval at the scheme meetings of the Scheme Creditors and sanction by the Bermuda Court and the High Court of Hong Kong.

(iii) The proposed debt restructuring schemes entitle the relevant Scheme Creditors to exchange their existing debt claims to notes of six or seven year of maturity (the "**Scheme Notes**") or amended medium-term bonds with maturity date extended for ten years. The Scheme Notes and amended medium-term bonds may be repaid, redeemed, settled and/or offset prior to their respective maturity dates through any or all of the followings: (a) debt-to-equity swap; (b) specified assets disposal; (c) special purpose vehicle debt-to-equity swap; and (d) liquidated specified assets disposal. Details of term of Scheme Notes and amended medium-term bonds are set out in the Company's announcement dated 29 September 2023.

(iv) Together with the JPLs, the Group has always maintained active communication with its creditors, and strived to complete the relevant legal procedures for implementing the proposed debt restructuring schemes as soon as possible. The directors are positive in obtaining the requisite support of the Scheme Creditors and completing the proposed debt restructuring schemes.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, in light of the above plans and measures and taking into account the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the proposed debt restructuring schemes; and (ii) whether it is able to achieve its plans and measures as described above.

Should the Group failed to complete the proposed debt restructuring schemes and achieve abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying 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 the consolidated financial statements.

(d) Adoption of new and amendments to HKFRSs

In the current year, the Group has adopted for the first time the following new and amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments

Except for the impact as disclosed below, the adoption of the above new and amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 Income Taxes does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 *Income Taxes*.

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a deferred tax liability in relation to its right-of-use assets as at 1 January 2022 and has only recognised deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The impact of the retrospective adjustments of the changes in accounting policies on the items and amounts in the consolidated financial statements for the comparative period had no significant impact on the consolidated financial statements.

(e) Amendments to HKFRSs not yet effective

The following are amendments to HKFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation[5] (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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.

The Group has already commenced an assessment of the related impact to the Group of the above amendments that are relevant to the Group upon initial adoption. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations.

(f) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation of the consolidated financial statements.

2. SEGMENT REPORTING

The executive directors, as the chief operating decision-makers ("**CODM**") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and commercial operation. Revenue consists of sales of properties, income of property management services, rental income of investment properties and commercial operation. Revenue of the year consists of the following:

	2023	2022
	RMB'000	*RMB'000*
Sale of properties	**1,529,952**	1,949,149
Property management services	**81,556**	95,258
Rental income	**18,352**	23,174
Commercial operation	**2,495**	2,408
	1,632,355	2,069,989

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

Segment results represent the profit earned by each segment without fair value losses on financial assets, re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale, share of losses of associate and joint venture, loss on disposal of subsidiary, interest income and dividend income of financial assets, unallocated corporate net expenses, finance costs – net and income tax expense/(credit). Property management services comprise mainly of provision of property management services and rental assistance services. Commercial operation services are mainly operations in youth community projects. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interest in a joint venture, financial assets at FVPL and FVOCI, cash and cash equivalents, deferred tax assets and certain unallocated corporate assets.

- All liabilities are allocated to operating segments other than income tax payable, deferred tax liabilities, lease liabilities and certain unallocated corporate liabilities.

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2023						
Segment revenue						
External revenue	**1,529,952**	**81,556**	**18,352**	**2,495**	**–**	**1,632,355**
Inter-segment revenue	**–**	**2,120**	**17,145**	**–**	**(19,265)**	**–**
	1,529,952	**83,676**	**35,497**	**2,495**	**(19,265)**	**1,632,355**
Timing of revenue recognition						
At a point in time	**1,529,952**	**–**	**–**	**–**	**–**	**1,529,952**
Transferred over time	**–**	**83,676**	**–**	**2,495**	**(2,120)**	**84,051**
Revenue from other sources	**–**	**–**	**35,497**	**–**	**(17,145)**	**18,352**
Total	**1,529,952**	**83,676**	**35,497**	**2,495**	**(19,265)**	**1,632,355**
Segment results	**(602,612)**	**(24,393)**	**(158)**	**(2,873)**	**–**	**(630,036)**
Reconciliation:						
Unallocated corporate net expenses						**(115,295)**
						(745,331)
Loss on derecognition of an associate						**(14,336)**
Loss on disposal of investment properties and property, plant and equipment due to a default event						**(10,752)**
Impairment loss on trade receivables, deposits and other receivables						**(21,800)**
Impairment loss on prepayments	**(155,798)**	**–**	**–**	**–**	**–**	**(155,798)**
Impairment loss on amount due from non-controlling interest	**(154,429)**	**–**	**–**	**–**	**–**	**(154,429)**
Impairment loss on property, plant and equipment						**(1,000)**
Impairment loss on properties under development and properties held for sale	**(928,212)**	**–**	**–**	**–**	**–**	**(928,212)**
Fair value changes in investment properties	**–**	**–**	**(294,500)**	**–**	**–**	**(294,500)**
Impairment loss on interest in a joint venture						**(20,162)**
Loss on disposal of a subsidiary						**(7,725)**
Finance costs – net						**(1,219,370)**
Consolidated loss before income tax						**(3,573,415)**

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Other segment information:						
Depreciation and amortisation	**(15,791)**	**(171)**	**(1,774)**	**(5)**	–	**(17,741)**
Additions to properties under development	**918,189**	–	–	–	–	**918,189**
Capital expenditure						**3,091**
As at 31 December 2023						
Assets and liabilities						
Assets						
Reportable segment assets	**17,290,123**	**40,646**	**2,635,746**	**1,243**	–	**19,967,758**
Reconciliation:						
Financial assets at FVOCI						**75,023**
Deferred tax assets						**194,144**
Cash and cash equivalents						**52,694**
Unallocated corporate assets						
– Property, plant and equipment						**46,563**
– Other receivables and prepayments						**187,643**
– Restricted cash						**210,811**
– Other corporate assets						**55,769**
Consolidated total assets						**20,790,405**
Liabilities						
Reportable segment liabilities	**13,368,407**	**501,152**	**14,045**	**1,909**	–	**13,885,513**
Reconciliation:						
Deferred tax liabilities						**261,701**
Income tax payable						**1,731,856**
Lease liabilities						**229,716**
Unallocated corporate liabilities						
– Bank and other borrowings						**7,620,880**
– Other corporate liabilities						**(744,467)**
Consolidated total liabilities						**22,985,199**

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2022						
Segment revenue						
External revenue	1,949,149	95,258	23,174	2,408	–	2,069,989
Inter-segment revenue	–	14,373	8,911	4,200	(27,484)	–
	1,949,149	109,631	32,085	6,608	(27,484)	2,069,989
Timing of revenue recognition						
At a point in time	1,949,149	–	–	–	–	1,949,149
Transferred over time	–	109,631	–	6,608	(18,573)	97,666
Revenue from other sources	–	–	32,085	–	(8,911)	23,174
Total	1,949,149	109,631	32,085	6,608	(27,484)	2,069,989
Segment results	(623,391)	(28,229)	(1,953)	(103)	–	(653,676)
Reconciliation:						
Unallocated corporate net expenses						(130,265)
						(783,941)
Impairment loss on trade receivables, deposits and other receivables						(116,670)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale	(12,093)	–	–	–	–	(12,093)
Impairment loss on amount due from non-controlling interest						(117,028)
Impairment loss on properties under development and properties held for sale	(1,169,096)	–	–	–	–	(1,169,096)
Fair value changes in investment properties	–	–	(204,447)	–	–	(204,447)
Fair value loss on financial assets of FVPL						(249,219)
Share of loss on a joint venture, net of tax						(3,988)
Share of loss on an associate, net of tax						(641)
Impairment loss on interest in a joint venture						(20,161)
Loss on partial disposal of a subsidiary						(77,361)
Finance costs – net						(1,089,734)
Consolidated loss before income tax						(3,844,379)

	Property development *RMB'000*	Property management *RMB'000*	Property investment *RMB'000*	Commercial operation *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Other segment information:						
Depreciation and amortisation	(31,083)	(283)	2,938	(1)	–	(28,429)
Additions to properties under development	1,094,277	–	–	–	–	1,094,277
Capital expenditure						507
As at 31 December 2022						
Assets and liabilities						
Assets						
Reportable segment assets	20,520,931	80,665	3,094,908	3,452	–	23,699,956
Reconciliation:						
Interest in a joint venture						20,162
Deferred tax assets						526,251
Cash and cash equivalents						83,644
Unallocated corporate assets						
– Property, plant and equipment						75,968
– Other receivables and prepayments						202,871
– Restricted cash						493,279
– Other corporate assets						863,080
Consolidated total assets						25,965,211
Liabilities						
Reportable segment liabilities	14,601,048	179,458	522,942	3,652	–	15,307,100
Reconciliation:						
Deferred tax liabilities						367,229
Income tax payable						1,620,398
Lease liabilities						209,222
Unallocated corporate liabilities						
– Bank and other borrowings						6,552,839
– Other corporate liabilities						201,312
Consolidated total liabilities						24,258,100

Geographical information

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Information about major customers

The Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: Same).

3. FINANCE COSTS – NET

	2023	2022
	RMB'000	*RMB'000*
Interest expense for bank and other borrowings	**(1,163,415)**	(1,211,290)
Interest on lease liabilities	**(20,494)**	(19,361)
Add: amount capitalised	**124,980**	472,505
	(1,058,929)	(758,146)
Default interest	**(95,980)**	(26,090)
	(1,154,909)	(784,236)
Foreign exchange loss on financing activities – net	**(68,006)**	(323,661)
	(1,222,915)	(1,107,897)
Finance income: Bank interest income	**3,545**	18,163
Finance costs – net	**(1,219,370)**	(1,089,734)

4. LOSS BEFORE INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Cost of properties sold – including construction cost, land cost and capitalised interest expenses	**1,639,697**	2,191,167
Staff costs (including directors' emoluments)	**111,530**	170,737
Advertising costs	**1,641**	53,372
Taxes and levies	**58,354**	23,267
Other direct costs	**43,508**	58,899
Depreciation and amortisation	**17,741**	28,429
Auditor's remunerations	**3,035**	2,600
– audit services	**2,400**	2,600
– non-audit services	**635**	–
Short-term lease payments	**2,104**	2,226

5. INCOME TAX EXPENSE/(CREDIT)

The amount of taxation in the consolidated statement of comprehensive income represents:

	2023	2022
	RMB'000	*RMB'000*
PRC corporate income tax expense	**15,664**	6,244
PRC land appreciation tax expense	**38,368**	45,293
	54,032	51,537
Deferred tax		
– PRC corporate income tax	**226,579**	(301,227)
Total income tax expense/(credit)	**280,611**	(249,690)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group's entities located in Mainland China is 25%.

PRC withholding income tax ("WHT")

Under the Enterprise Income Tax ("**EIT**") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. The relevant overseas holding companies have successfully obtained endorsement from the PRC tax bureau to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group's entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong Profits Tax.

6. LOSS PER SHARE

The calculation of basic loss per share amounts for the year ended 31 December 2023 is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue (2022: Same).

The calculation of the diluted loss per share amounts for the year ended 31 December 2023 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share option and share award scheme (2022: Same). As the Group incurred loss attributable to owners of the Company for the year ended 31 December 2023, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive (2022: Same).

	2023	2022
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share	**(3,489,387)**	(3,491,272)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,446,331**	8,446,331
Basic and diluted (expressed in RMB)	**(0.413)**	(0.414)

7. DIVIDENDS

No dividend for the year ended 31 December 2023 (2022: Nil) has been proposed by the directors of the Company.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
Trade receivables, gross	**164,950**	199,537
Less: loss allowance	**(20,016)**	(17,980)
	144,934	181,557

The majority of the Group's sales are derived from sales of properties, property management services and rental income. Proceeds in respect of sales of properties, property management services and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts. All trade receivables are due from independent third parties.

The ageing analysis of trade receivables as at the respective balance sheet date, based on invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**423**	18,252
Over 30 days and within 90 days	**186**	133
Over 90 days and within 365 days	**623**	3,278
Over 365 days	**163,718**	177,874
	164,950	199,537

	2023	2022
	RMB'000	*RMB'000*
Other receivables and deposits:		
Amounts due from non-controlling interests, gross	**921,828**	1,050,678
Less: Loss allowance	**(275,402)**	(120,973)
	646,426	929,705
Loan to the Borrowers, gross	**349,000**	349,000
Less: Loss allowance	**(161,357)**	(146,129)
	187,643	202,871
Guarantee deposit of an urban redevelopment project kept by a monitoring governmental authority	**409,940**	735,273
Sale proceeds kept by a monitoring governmental authority	**136,333**	411,859
Maintenance funds paid on behalf of properties owners	**53,224**	56,684
Tender deposit in development project	**45,510**	45,510
Unpaid up capital to be contributed by a non-controlling shareholder of a subsidiary	**96,900**	24,900
Wage deposit for migrant workers	**16,547**	34,159
Others	**162,740**	138,400
	921,194	1,446,785
Less: Loss allowance	**(47,473)**	(42,937)
	873,721	1,403,848
	1,707,790	2,536,424
Prepayments:		
Prepaid construction costs	**918,635**	1,030,997
Prepaid taxes and surcharges	**505,694**	994,648
Prepayment for proposed projects	**561,951**	543,428
	1,986,280	2,569,073
Less: Impairment loss	**(155,798)**	–
	1,830,482	2,569,073
Total other receivables, deposits and prepayments	**3,538,272**	5,105,497
Less: prepayments classified as non-current assets	**(352,351)**	–
Other receivables, deposits and prepayments classified as current assets	**3,185,921**	5,105,497

9. BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Non-current		
Bank borrowings		
– Secured	**2,632,066**	2,648,901
Notes/bonds		
– Unsecured	**1,826,033**	1,586,664
Other borrowings		
– Secured	**663,541**	1,281,241
– Unsecured	**264,406**	236,594
Less: current portion of non-current borrowings	**(498,371)**	(1,063,342)
Total	**4,887,675**	4,690,058
Current		
Current portion of non-current borrowings	**498,371**	1,063,342
Bank borrowings		
– Secured	**956,726**	1,045,857
– Unsecured	**88,760**	–
Notes/bonds		
– Secured	**2,148,704**	1,862,455
– Unsecured	**2,772,901**	2,443,518
Other borrowings		
– Secured	**1,256,272**	331,187
– Unsecured	**11,080**	–
	7,732,814	6,746,359
Total	**12,620,489**	11,436,417

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**23,768**	35,952
Construction costs payable	**3,317,972**	2,708,306
Accrued taxes and surcharges	**772,964**	1,458,157
Other payables and accruals		
– Related parties	**–**	274,477
– Third parties	**1,160,322**	834,290
Litigation costs	**11,040**	8,946
Tender payable to the suppliers	**28,823**	78,880
Receipt in advance, rental and other deposits from residents and tenants		
– Related parties	**317**	213
– Third parties	**54,898**	57,041
Accrued staff salaries and bonuses	**32,200**	17,448
	5,378,536	5,437,758

Note: The ageing analysis of trade payables as at the respective balance sheet date, based on invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**7,765**	8,301
Over 30 days and within 90 days	**4,555**	6,531
Over 90 days and within 365 days	**4,717**	6,467
Over 365 days	**6,731**	14,653
Total trade payables	**23,768**	35,952

11. OTHER COMMITMENTS

	2023	2022
	RMB'000	*RMB'000*
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**6,590,016**	6,488,407

12. LITIGATIONS, PROVISION AND CONTINGENT LIABILITIES

Save as disclosed elsewhere in the consolidated financial statements, as at 31 December 2023, there were several litigation claims initiated by the sub-contractors against the Group to demand immediate repayment of overdue payables in relation to construction costs with an aggregate amount of approximately RMB795,168,000 and the late penalty charges of approximately RMB17,310,000 and corresponding legal costs of approximately RMB180,000. An aggregate amount of approximately RMB774,702,000 had already been recognised as payables to these contractors included in other payables in the consolidated statement of financial position as at 31 December 2023. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of approximately RMB9,428,000 and corresponding legal costs of approximately RMB180,000 in the consolidated financial statements for the year ended 31 December 2023.

Up to the date of approval of the consolidated financial statements, the number of pending litigations relating to the daily operations payables, delayed delivery of several projects and other matters with a total subject amount of approximately RMB1,697,290,000. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2023

A. Business review

In 2023, China's real estate market continues to slump. Home buyers continue to stay away from the property market due to factors such as unstable income expectations, falling housing prices, policy adjustments and uncertain prospects, causing developers to generally encounter difficulties in selling products. Despite the various support policies introduced by the government, developers are still facing a severe market financing environment, refinancing is still difficult, there is no actual improvement in new financing, and the liquidity pressure of most peers in the market is still huge. Guaranteed delivery of property is still a priority for developers.

Although the Group's projects are mainly located in the Greater Bay Area and first and second-tier cities with the most resilient to turbulences, the Company has experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the year of 2023, the Group achieved contracted sales totaling RMB750 million, declined by 51% compared to the last year. The market downturn has had a material adverse effect on the Company's ability to realize its inventories or implement any disposal plan of its assets.

Further, since early 2022, the Group's access to new financing has not been notably improved which has further exacerbated the Group's current liquidity constraints.

Since late June 2022, in the aftermath of the failure to repay certain loans and notes that were mature, the Group encountered financial difficulties to meet its liabilities falling due. With the intention to implement an orderly administered restructuring program with creditors, the Company has applied to the Bermuda Court for the appointment of "light touch" provisional liquidators for debt restructuring purposes in July 2022 that was approved by the Bermuda Court on 15 August 2022 (Bermuda time). The announcements of the Company have been made on 16 August 2022, 31 October 2022, 6 February 2023, 2 May 2023, 31 July 2023, 9 October 2023 and 4 February 2024 in relation to the appointment of JPLs and the Petition. In most recently, the Chief Justice of the Commercial Court of the Supreme Court Bermuda adjourned the hearing of the Petition to Friday, 7 June 2024 (Bermuda time). Further announcements on the development of the debt restructuring and the Petition will be made by the Company to update the shareholders and potential investors of the Company as and when required.

Despite the current difficulties encountered, the management expects that the various supportive and comprehensive policies recently issued by the local government to real estate developers will have a positive effect on overall market conditions, leading the business environment relatively stable and healthy.

In the year of 2023, the Group recorded contracted sales totaling RMB750 million (2022: RMB1,500 million). The GFA contracted, covered 14 projects under development and completed projects. Other than contracted sales that were delivered and recognized during the year, the remaining will be recognized as property sales in the later years in 2024 to 2025 when the subject properties are delivered.

The turnover of properties delivered in 2023 was RMB1,665 million (2022: RMB2,121 million), declined by 21% compared to the figures of the last year. The Group delivered aggregate GFA of 212,000 sq.m. (2022: 268,000 sq.m.). The Group had twelve projects (2022: nine) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Skyfame Zhuhai Bay, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden, Nanchang Skyfame Fenghuangyue, Chongqing Skyfame • Smart City, Kunming Anning Linxi Valley and Kunming Skyfame City.

The Group's recognized sales of properties in sale value before direct taxes and saleable GFA by projects for the year are as follows:

	Recognized Sales	
Project	**Gross Amount** *RMB'million*	**GFA Delivered** *sq.m.*
Guangzhou Skyfame Byland	26	2,000
Zhongshan Skyfame Rainbow	2	–
Skyfame Zhuhai Bay	748	68,000
Nanning Skyfame Garden	2	1,000
Nanning Skyfame ASEAN Maker Town	71	1,000
Nanning Spiritual Mansions	6	3,000
Xuzhou Skyfame Time City	12	3,000
Xuzhou Skyfame Elegance Garden	37	10,000
Nanchang Skyfame Fenghuangyue	1	–
Chongqing Skyfame • Smart City	63	7,000
Kunming Anning Linxi Valley	389	68,000
Kunming Skyfame City	308	49,000
Total in year 2023	1,665	212,000

B. Property portfolio

As at 31 December 2023, we have project portfolio and potential land reserves in aggregate GFA of 25 million sq.m. mainly located in Guangzhou, Shenzhen, Zhongshan, Zhuhai, Huizhou in the Guangdong-Hong Kong-Macao Greater Bay Area, Nanning and Guilin in the Southern Region of China, Xuzhou and Nanchang in the Eastern Region of China, and Chongqing, Kunming and Guizhou in the Southwestern Region of China. The land reserves provide us a solid capacity for a sustainable growth in the approaching timelines. Depending on the status of development of each project, the profiles about our land bank are categorized into group 1 as “properties completed, under or held for development”, group 2 as “co-operation projects” and group 3 as “potential land reserves” as below:

1. Properties completed, under or held for development

During the year, we held seventeen real estate development projects in mainland China of which seven have been completed and the others under construction or for imminent development, together with project that we have minority interests or in joint venture arrangement in which we participated in and other projects held by a third parties that we are acting as project manager. All in all, we are holding interests in eighteen projects, either completed, under construction or for future development. As at 31 December 2023, all these projects render a total GFA of approximately 9.9 million sq.m..

The table below sets out details of property portfolio.

Project	Location	Property type	Estimated total GFA *(sq.m.)*	Estimated total saleable GFA *(Note a)* *(sq.m.)*	Accumulated saleable GFA delivered *(sq.m.)*	Actual/ Estimated completion year	The Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	160,000	127,000	2017–19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	2,104,000	901,000	–	2024–30	78%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	–	2026	99%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	–	2026	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	98%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	68,000	2023–25	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	943,000	2016–18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	767,000	2018–26	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	561,000	2020–22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2024–26	98%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	381,000	2019–21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	141,000	2021–23	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	431,000	–	2024–25	89%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	64%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	962,000	474,000	2017–28	98%
Chongqing Skyfame Linxifu *(note d)*	Chongqing	Residential & ancillary commercial	–	–	–	–	–
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	240,000	183,000	2022–24	*(note b)*
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	112,000	2022–27	90%
Sub-total – developed by subsidiaries			**9,948,000**	**7,089,000**	**3,918,000**		
Co-operation projects *(note c)*			**336,000**	**222,000**			
Total			**10,284,000**	**7,311,000**			

Note:

(a) Total saleable GFA excludes un-saleable area for municipal facilities, area allocated to a cooperative partner and resettlement housing to be provided without sale considerations in certain projects.

(b) For Kunming Anning Linxi Valley, a project being developed through a right under a contractual arrangement, the above project profile refers to GFAs under development by the project company.

(c) Co-operation projects refer to the project which is developed by joint venture pursuant to the relative agreements. The above project profile refers to the GFAs under development.

(d) On 30 December 2022, the Group entered a sale and purchase agreement with an independent purchaser in connection with the disposal of the 80% interest in Chongqing Zhiyuan Property Company Limited, an indirectly non-wholly owned subsidiary of the Company with effective interest of 73.73% and the said disposal was completed in the year 2023.

In Guangdong-Hong Kong-Macao Greater Bay Area:

(1) Guangzhou Skyfame Byland ("廣州天譽半島")

The project, named as Guangzhou Skyfame Byland, is held by a subsidiary of the Company whereas a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司), is entitled to share 28% in developable GFA of the completed properties. The legal title over the remaining 72% of the completed properties rests with the Group.

The plot is located at Zhoutouzui, Haizhu district, Guangzhou, at the riverside of Bai e lake, one of the top 8 attractions in Guangzhou. The project represents the only sizable luxury living community with the widest river view in downtown of Guangzhou. The project is a mixed-used development with a total GFA of approximately 315,000 sq.m. (total saleable GFA of 160,000 sq.m.), consisting of seven towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

The entire project had been completed. 800 car parking spaces are retained by the Group for long-term leasing purpose.

(2) *Guangzhou Fengwei Village Project (“廣州鳳尾村項目”)*

The project is an old village redevelopment project located in Fengwei Village, Jiufo Street (九佛街), Huangpu District, Guangzhou. The project is adjacent to the Hongwei metro station, which is about one hour away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The project covers a land for a total GFA of 2,104,000 sq.m. (total saleable GFA of 901,000 sq.m.).

In late of 2020, an indirect wholly-owned subsidiary of the Company namely Nanning Tianyu Jurong Realty Company Limited (“**Tianyu Jurong**”), was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, Tianyu Jurong became the cooperative entity for the project. The construction has been commenced.

(3) *Guangzhou Luogang Project (“廣州蘿崗項目”)*

The project is located at the north of Yin Tong Road (賢堂路) of Yonghe District in Huangpu, Guangzhou. The project occupies a site of 50,263 sq.m. with planned GFA of 122,000 sq.m. (total saleable GFA of 101,000 sq.m). The land is originally granted for industrial purpose and our management plans to develop the project into serviced apartments and commercial properties. The management is currently negotiating with the district government about the redevelopment of the zone into a commercial project.

Guangzhou Luogang Project has development right enabling the Group to commence development subject to obtaining government approval on conversion of land uses. Investment costs paid on the project are presented as prepayments for proposed projects grouped into “Other receivables, depoists and prepayments” of the consolidated balance sheet.

(4) *Skyfame Health Smart City (“天譽大健康智慧工業園”)*

The project, named as Skyfame Health Smart City is located at the southeast of Guangming New Zone, Shenzhen. The project company holds a right to redevelop on the land for a total GFA of 183,000 sq.m. (total saleable GFA of 128,000 sq.m.) for innovative industrial premises, serviced apartments and offices. The construction has been commenced.

(5) Zhongshan Skyfame Rainbow (“中山天譽虹悅”)

The project, named as Zhongshan Skyfame Rainbow and located on Cui Sha Road (翠沙路), Rainbow Planning Zone at the north of West Zone, Zhongshan, Guangdong province, is a residential development with ancillary commercial properties. The total GFA of the project is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). The entire project had been completed and up to 31 December 2023, 86,000 sq.m. has been delivered to buyers.

(6) Skyfame Zhuhai Bay (“天譽珠海灣”)

The Group has interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project has been developed into a residential development with total GFA of 298,000 sq.m. (saleable GFA of 212,000 sq.m.) for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsided housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2025. Up to 31 December 2023, a total saleable GFA of 68,000 sq.m. has been delivered to buyers.

In Southern Region of China:

(7) Nanning Skyfame Garden (“南寧天譽花園”)

Nanning Skyfame Garden and Skyfame Nanning ASEAN Maker Town, are collectively branded as“Nanning Skyfame City” (“南寧天譽城”). The project is located in the business hub of Wuxiang New District (五象新區) at the southeast of the downtown of Nanning, the capital of Guangxi province. The project has been developed into a residential community, namely “Nanning Skyfame Garden”, with a total GFA of 1,202,000 sq.m. (saleable GFA of 960,000 sq.m.), covering 65 towers for residential and retail properties, car parking facilities, public and municipal facilities, and residential and commercial units for the resettlement of original occupants. The entire project had been completed and up to 31 December 2023, a total saleable GFA of 943,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the youth community operation of the “Yuwu Startup” co-work place.

(8) *Nanning Skyfame ASEAN Maker Town (“南寧天譽東盟創客城”)*

The development covers three land plots of 194,222 sq.m. located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi. The project is within walking distance from Nanning Skyfame Garden. The project is a development complex divided into east and west zone and is developed in phases. Planned total GFA is 1,305,000 sq.m. (saleable GFA of 1,047,000 sq.m.). The east zone features A-class offices, retail properties and an international 5-star hotel branded as Westin Nanning in a skyscraper in a height of 346 meters named as the Skyfame ASEAN Tower (“天譽東盟塔”), together with a community development consisting of serviced apartments, retail properties, and ancillary facilities specifically developed for young occupants named as “The World of Mr. Fish” (“魚先生的世界”). The west zone features residential and retail properties named as “Nanning Skyfame Byland” (“南寧天譽半島”). Construction works of the two zones are scheduled to be completed by phases up to 2026. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2023, residential and commercial units of saleable GFA of 767,000 sq. m. have been delivered to buyers. For the undelivered saleable GFA of 280,000 sq.m., the management plans to retain GFA of 50,000 sq.m. to be held for long-term purpose for leasing to tenants engaged in retailing and distribution businesses, and the remaining GFA are scheduled to be delivered in 2024 onwards until 2026.

(9) *Nanning Spiritual Mansions (“南寧檀府 • 印象”)*

The Group participates in an arrangement with 40% equity interest in a project company formed with two other local developers. The project is located in the core area of Wuxiang New Zone, between Skyfame Garden and Vanke Park, at the north of Yudong Avenue (玉洞大道) in Liangqing District, Nanning. The project, named as “Nanning Spiritual Mansions”, is situated on a land plot of approximately 138,000 sq.m. and to be developed in GFA of 749,000 sq.m. (saleable GFA of 584,000 sq.m.), covering residential and commercial properties, school and municipal facilities. The entire project has been completed and up to 31 December 2023, a total saleable GFA of 561,000 sq.m. has been delivered to buyers.

(10) Guilin Lipu Skyfame Jade Valley (“桂林荔浦天譽翡翠谷”)

The land of the project was acquired through a public auction. The project, named as Guilin Lipu Skyfame Jade Valley, is located in Lipu City (荔浦市) at the south of Guilin City. Lipu is the transportation hub to Guilin (桂林), Liaozhou (柳州), Wuzhou (梧州) and Hezhou (賀州) cities in Guangxi. The plot is rich of natural scenery resources making the project an attractive culture and tourism development. We plan to develop the project into villas, residences and serviced apartments, a hotel and tourist scenic spot. Total GFA to be developed is 236,000 sq.m. of which 230,000 sq.m is saleable. Construction has been commenced and delivery is expected to be in 2024 to 2026.

In Eastern Region of China:

(11) Xuzhou Skyfame Time City (“徐州天譽時代城”)

Xuzhou Skyfame Time City is located at Xuzhou Quanshan Jiangsu Economic Development Zone (江蘇徐州泉山經濟開發區) in Xuzhou, Jiangsu province. It is situated in Times Avenue South and Xufeng Highway West in Xuzhou. It is an eco-residential and commercial development with residential and ancillary commercial units. The entire project has been completed, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 381,000 sq.m. delivered up to 31 December 2023.

(12) Xuzhou Skyfame Elegance Garden (“徐州天譽雅園”)

The project, named as Xuzhou Skyfame Elegance Garden, is located at 1 km apart from Xuzhou Skyfame Time City. The land plot was acquired through a land auction in 2017 with a total GFA of about 205,000 sq.m. (saleable GFA of 153,000 sq.m.). The project was developed into residential and ancillary commercial development, and the entire project has been completed. Up to 31 December 2023, saleable GFA of 141,000 sq.m. has been delivered to buyers.

(13) Xuzhou Skyfame Smart City (“徐州廣譽智慧城”)

The site is located in the north of the downtown of Xuzhou in Jiulihu district (九里湖)，next to the Zhangxiaolou (張小樓) river and a wetland park under plan. The project, namely Xuzhou Skyfame Smart City, is a mixed development in a total GFA of 538,000 sq.m. (saleable GFA of 431,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced with construction works expected to be completed in 2024 to 2025.

(14) Nanchang Skyfame Fenghuangyue (“南昌天譽鳳凰樾”)

The site, located in An Yi Xian (安義縣), a national graded eco-friendly living showcase at the northwest from the city of Nanchang, Jiangxi province. The project, named as Nanchang Skyfame Fenghuangyue, with a total saleable GFA of 110,000 sq.m. to be developed into GFA of 78,000 sq.m. for villas and residential properties, GFA of 6,000 sq.m. for street-level shops and a hotel of 26,000 sq.m. The entire project has been completed and up to 31 December 2023, aggregate saleable GFA of 75,000 sq.m has been delivered to buyers.

<u>In Southwestern Region of China:</u>

(15) Chongqing Skyfame • Smart City (“重慶天譽 • 智慧城”)

The project is located in Nanan District of Chongqing, one of the city’s three major CBDs embracing the central government district, at the river shore of the Yangsze river. The location is one of the top ten key development zones in Chongqing. Total GFA of approximately 1.2 million sq.m. are being developed in two phases into residential, LOFT apartments and commercial properties.

Phase 1 of the project, named as “Gold Purple” (“紫金一品”), was completed upon our acquisition of the project. Phase 1 consists of GFA 313,000 sq.m. (saleable GFA 254,000 sq.m.). Phase 2, named as “Chongqing Skyfame•Smart City”, is a mixed development consisting of residences, serviced apartments, offices, shopping mall and carparking spaces, in total GFA of 882,000 sq.m. (saleable GFA of 708,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held for long term and remaining 459,000 sq.m. for sale. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2028. Up to 31 December 2023, aggregate saleable GFA of 474,000 sq.m. has been delivered to the buyers.

(16) Kunming Anning Linxi Valley (“昆明安寧林溪谷”)

The Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley, is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 295,000 sq.m. (saleable GFA of 240,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. The construction has been completed by phase. Up to 31 December 2023, aggregate saleable GFA of 183,000 sq.m. has been delivered to the buyers.

(17) Kunming Skyfame City (“昆明天譽城”)

The land of this project was acquired through a land auction. The plot is situated in the northeast of Anning city of Kunming. The project, named as Kunming Skyfame City, is the first phase of a youth community project and is a residential development with total GFA of 507,000 sq.m. (saleable GFA of 389,000 sq.m.). The construction is expected to be completed by phase until year of 2027. Up to 31 December 2023, aggregate saleable GFA of 112,000 sq.m. has been delivered to the buyers.

2. Co-operation project

As of 31 December 2023, our property portfolio consists of project jointly developed by joint venture or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 0.3 million sq.m..

3. Potential Land Reserves

3.1 *Intended bids for lands*

To prepare for future land replenishments, we have signed co-operation agreements with local governments or a third party in Nanning, Xuzhou and Kunming for obtaining lands through future public auctions with an aggregate GFA of 11.7 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

3.2 *Urban redevelopment projects*

The Group also holds potential land reserves through its participation in the redevelopment of some old districts that are subject to the urban redevelopment programs being implemented by local governments in Guangzhou. These remodelling projects will provide an aggregated estimated GFA of approximately 3.0 million sq.m.. Investments made on these projects are included as “Other receivables, deposits and prepayments” on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Group has capacity of additional land bank in estimated GFA of 14.7 million sq.m..

C. Investment properties

Alongside with the development of properties for sale, the management selects suitable properties from the Group's projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2023, the Group holds five investment properties (2022: six) in an aggregate GFA of approximately 328,800 sq.m. at aggregated fair values of RMB2,840.6 million in Chongqing, Nanning and Guangzhou for current and future leasing income with details as follows:

1. Commercial properties under development in Chongqing Skyfame • Smart City

As a condition of the land transfer contract in respect of the properties under development in Chongqing Skyfame • Smart City, aggregate GFA of 248,800 sq.m. is to be built into commercial properties for long-term investment purpose. These properties, when completed, will become part of an integrated complex development in a central business district at the Southern Shore District of Chongqing. The property, carries an open market value of RMB1,265.0 million as at 31 December 2023 (2022: RMB1,302.0 million).

2. Commercial properties in Skyfame Nanning ASEAN Maker Town

Total GFA of 50,000 sq.m. is being built by the project company for leasing to tenants engaged in retail and distribution businesses. This investment property is situated in the east zone of the land plot where grade-A offices, an international hotel and a skyscraper are being built. The property, carries an open market value of RMB643.0 million as at 31 December 2023 (2022: RMB657.0 million).

3. Car parking spaces in Guangzhou Skyfame Byland

800 car parking spaces were leased to a management company for fixed monthly rent in prior years and currently is vacant. These car parking spaces carry an open market value of RMB470.0 million as at 31 December 2023 (2022: RMB486.0 million).

4. Commercial podium at Tianyu Garden Phase II

Commercial podium in GFA of 17,300 sq.m. at Tianyu Garden Phase II in Tianhe District, Guangzhou are leased to tenants. The open market value of the property is RMB415.0 million as at 31 December 2023 (2022: RMB424.0 million).

5. ***Office premises at Huancheng HNA Plaza***

Office premises in GFA of 1,500 sq.m. in Huancheng HNA Plaza, Tianhe District, Guangzhou were mostly tenanted as at 31 December 2023. The open market values of the premises as of 31 December 2023 are RMB47.6 million (2022: RMB52.1 million).

D. Business outlook

On the macro front, uncertainty will remain a theme. There is still no end in sight for the Russia-Ukraine war. The extent and frequency of interest rate cuts by the Federal Reserve are still unclear. The momentum of world economic and trade growth has weakened. The momentum of Western countries, led by the United States, to suppress China has not weakened. China's development has entered a period of transformation, uncertainty and unpredictable factors increasing.

In terms of China's real estate industry, the government mainly emphasizes "treating both the symptoms and root causes to resolve real estate risks, accelerating the construction of a new model of real estate development, and promoting the transformation of urban villages." On the demand side, faced with uncertainties in housing prices and income, it is expected that home buyers will still need time in the short term to consider the decision of buying property. We are still not optimistic about the demand for property throughout the year. In terms of supply, it is expected to still be in a phase of gradual reduction in response to the difficulty of market de-escalation, which will be conducive to the long-term rebalancing of real estate supply and demand. In terms of development model, the high turnover model is a thing of the past, and it is expected that new models will still take time to explore to meet the requirements of high-quality development.

The real estate industry has always been a major industry in China's economy. The1.4 billion Chinese people's yearning for a better life has not changed. The Group still has confidence in the long-term development of the industry. In 2024, the Group will continue to respond calmly, resolve risks, make good use of the project whitelist support policy to ensure the stability of the group's operations; make good use of the urban village renovation support policy, promote the construction progress of the Fengwei Village old renovation project in Huangpu District, Guangzhou, and strive to achieve collection of sales payments; continue to resolutely carry out asset disposal work, seize market opportunities, and vigorously promote cash collection. At the same time, the Group continues to maintain active communication with creditors and promotes debt restructuring to achieve the best interests of creditors and stakeholders.

E. Financial review

Sales Turnover and Margins

Property sales, net of direct taxes, recorded RMB1,530.0 million for the year (2022: RMB1,949.1 million). During the year, the Group had delivered GFA totaling approximately 212,000 sq.m. of properties in twelve projects (2022: nine projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden, Kunming Anning Linxi Valley, Kunming Skyfame City, Nanchang Skyfame Fenghuangyue, Skyfame Zhuhai Bay and Chongqing Skyfame • Smart City.

Gross deficit on property sales for the year is 9.0% (2022: gross deficit of 13.1%). The lower margins for the year is due to the intense market competition and the complex and volatile external real estate environment in PRC as compared to the last year.

The leasing of properties revenue amounted to RMB18.3 million (2022: RMB23.2 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at Capital Centre in Hong Kong. The major investment property under development of the Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed in 2024 to 2026.

Operating expenses

Sales and marketing expenses amounted to RMB170.5 million for the year, a decrease of 3.0% compared to RMB175.8 million in the last year due to the Company's cost planning arrangement and the overall decline in the property sale environment.

Administrative and other expenses, amounting to RMB492.6 million (2022: RMB420.0 million), increased by 17.3% compared to last year. The increase in administrative and other expenses was primarily a result of advanced penalty and fines to layoffs of staff due to the Company's cost planning arrangement and the legal and professional expenses in relation to the debt restructuring and the legal cases of the Group during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB137.0 million for the year (2022: RMB207.4 million) of which RMB25.4 million (2022: RMB36.6 million) were capitalized as development cost of properties under development. As a result of the stringent cost and expense controls starting in late 2021, staff force is reduced by 29.56% and reflected by the reduction of number of staff at year end.

Finance cost – net

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,259.4 million (2022: RMB1,237.4 million) for the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB1,134.4 million (2022: RMB764.9 million) charged against the operating results for the year related to general borrowing interest not qualified for capitalisation. Finance costs also included interest incurred on lease liabilities amounted to RMB20.5 million (2022: RMB19.4 million) and foreign exchange loss on financing activities of RMB68.0 million (2022: RMB323.7 million) of offshore loans denominated in HK$ and US$ booked at closing rates as a result of depreciation of RMB against the HK$ and US$ during the year.

Income tax expense

Income tax expense mainly includes land appreciation tax of RMB38.4 million (2022: RMB45.3 million) on properties sold for the year, provision of RMB15.7 million (2022: RMB6.2 million) for corporate income tax on assessable earnings for the year and the deferred tax totaling RMB226.6 million (2022: deferred tax credit totaling RMB301.2 million).

Loss for the year

Loss for the year was approximately RMB3,854.0 million (2022: RMB3,594.7 million).

Loss for the year included RMB3,489.4 million loss attributable to owners of the Company (2022: RMB3,491.3 million) and RMB364.6 million (2022: RMB103.4 million) loss attributable to non–controlling interests.

In 2023, the Group's net loss attributable to owners and the overall downward pressure on the Group's gross loss were mainly due to (i) the sharp decline in property sales recognized in the face of the complex and volatile external real estate environment in China; (ii) the gross loss margin as a result of intense market competition and the regulatory policies in the industry; (iii) the increase in finance cost; (iv) the increase in the provision of trade and other receivables and impairment of prepayment and inventory due to the market uncertainties and the impact of the tough business environment in the real estate industry; (v) the expected net foreign exchange losses due to the fluctuations of foreign exchange rate and (vi) the continued impact of the COVID-19 epidemic. In view of the uncertainty of the current market conditions, the Group expedited the sales and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy of the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

Liquidity and Financial Resources

	Change in %	**2023** *RMB'000*	2022 *RMB'000*
Total assets	-19.9%	**20,790,405**	25,965,211
Net (liabilities)/assets	N/A	**(2,194,794)**	1,707,111

Total assets of the Group amounted to RMB20,790.4 million (2022: RMB25,965.2 million), a 19.9% decrease from last year. Properties under development, at carrying value of RMB11,250.5 million, is the biggest asset category, constituting 54.1% of the total assets of the Group. Total assets also include investment properties of RMB2,626.6 million, properties held for sale totaling RMB2,315.8 million, property, plant and equipment, right-of-use assets totaling RMB267.6 million, other receivables, deposits and prepayments totaling RMB3,538.3 million, restricted cash of RMB210.8 million and cash and cash equivalents of RMB52.7 million.

In order to ease the short-term financial stress and to enhance the liquidity position, the Company will focus on improving the net cash from operating activities and debt restructuring and to meet its funding requirements in its normal course of operation, procuring the disposal of noncore or idle assets and implementing tighter control over costs, working capital and capital expenditures.

Appointment of Joint Provisional Liquidators and Winding Up Petition and Possible Debt Restructuring of the Company

During the year of 2022, the Company made an application with the Bermuda Court for appointment of "light touch" joint provisional liquidators for debt restructuring purposes and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time), an Order in favour of the Company was granted, Joel Edwards of EY Bermuda Ltd. in Bermuda, So Kit Yee Anita and Lau Wun Man both of Ernst & Young Transactions Limited in Hong Kong were appointed as the joint provisional liquidators (the "**JPLs**")on a light touch approach with limited powers for debt restructuring purposes. The Company will continue to maintain active communication with creditors and adopt practicable measures to unite the consensus of creditors in order to promote the implementation of the debt restructuring plan (the "**Debt Restructuring Proposal**"). For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 7 June 2024 (Bermuda time).

Capital structure and liquidity

The borrowings of the Group, aggregated to RMB12,620.4 million as at 31 December 2023, increased by 10.4% from the balance of RMB11,436.4 million as at 31 December 2022. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

Net debt calculated as total borrowings net of cash and cash equivalents and less guarantee deposits for bank borrowings included in restricted cash (the "**Net Debt**"), increased to RMB12,555.8 million (2022: RMB11,340.8 million).

The cash level (excluded restricted cash secured for the payment of construction cost of related properties) at the year-end date decreased to RMB64.7 million at 31 December 2023 (2022: RMB95.6 million).

Current assets aggregated to RMB12,566.6 million as at 31 December 2023 (2022: RMB21,982.1 million), a decrease of 42.8% from last year. Current liabilities at the year-end date amounted to RMB17,623.6 million (2022: RMB19,009.1 million).

The current ratio is slightly decreased to 0.7 times as at 31 December 2023 (2022: 1.2 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly properties held for sale and properties under development, can be readily turned into cash to meet the financial needs of the Group.

Borrowings and pledge of assets

As at 31 December 2023, certain investment properties, self-use properties, right-of-use assets, properties held for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Group for general working capital and acquisition needs. In addition, equity interests in certain subsidiaries are charged as security for certain borrowings. As at 31 December 2023, aggregate outstanding balances of these secured borrowings amounted to RMB7,657.3 million (2022: RMB7.169.6 million).

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB16.5 billion (2022:RMB14.9 billion) as at 31 December 2023. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

F. Contingent liabilities, provision and litigations

As at 31 December 2023 and 2022, the Group has been involved in a number of lawsuits arising in the ordinary course of business, provision has been made for the probable losses to the Group based on management's assessment on the outcome of the lawsuits taking into account the legal advice. The management is proactively communicating with the creditors striving to resolve the litigations through settlement by agreements.

G. Treasury management

The Group is engaged in property development and other activities which are mainly conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. Nonetheless, certain corporate financing, property leasing, investment holding and administrative activities are carried out in Hong Kong and denominated in HK or US dollars. As at 31 December 2023, the Group has Hong Kong and US dollar denominated borrowings equivalent to RMB7,248.6 million, representing 57.4% of total borrowings. All other assets and liabilities in material values are denominated in RMB. These assets and liabilities denominated in non-RMB are converted to RMB at the closing exchange rates of RMB against these US and HK dollars on consolidation into the financial accounts of the Group.

Throughout the year ended 31 December 2023, RMB has depreciated 1.4% and 1.7% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB68 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Group against which unrealized losses or profits are booked. The Group's operations are mostly conducted in the PRC, and therefore there is no natural hedge against possible depreciation of RMB. The management will from time to time weigh the benefits of the hedge and costs to be incurred, the extent of fluctuations in RMB perceived by the management. We are also exploring other natural hedges, such as investments in different territories where US and HK dollars are the functional currencies to reduce the exposures of the depreciation of RMB on the financial results and position of the Group.

H. Risk management

We face lots of business risks as a mainland developer. Amongst the risks, the most important ones at present are the risks of difficulties in selling products and liquidation. Home buyers are staying away from the property market due to falling property prices, policy changes and lack of confidence in prospects, making it difficult for developers to obtain operating cash sources. At the same time, the company is promoting overseas debt restructuring and faces the risk of liquidation lawsuits from investors from time to time. To relieve the risks resulting from above, our management is placing specific care about the controlling of financial resources and development plans, and actively maintains communication with investors to promote overseas debt restructuring plans. The standing risk management committee set up by the board of directors guides our management team to build up controls in the daily operational process and alerts the board on critical risks that may cause significant consequences. Our internal audit department conducts regular reviews to check the implementation of the controls.

I. Employees

As at 31 December 2023, including two executive directors of the Company, the Group employed a total of 591 full-time staff, of which 106 work in site offices, 73 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 412 full-time staff in the property management offices in Greater Bay Area, Chongqing, Xuzhou, Nanning, Yongzhou and Kunming. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by cash bonuses and shares options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

J. Going concern

Due to the potential interaction of the multiple uncertainties regarding the plans and measures (details please refer to note 2.1(c) to the consolidated financial statements) of the Company and the possible cumulative effect on the consolidated financial statements, the Company's auditor (the "**Auditor**") has expressed that it is not possible for the Auditor to form an opinion on the consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Disclaimer**"), the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report of the annual report.

Management's position, view and assessment on the Disclaimer Opinion

The directors of the Company have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from the date of approval of the consolidated financial statements. In the opinion of the directors of the Company, in light of the plans and measures as set out in note 2.1(c) to the consolidated financial statements and taking into account the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, the management admitted that material uncertainties exist as to whether the Group is able to achieve its plans and measures as described below. Should the Group failed to achieve below-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying 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 the consolidated financial statements.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company and the development of the events, no sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis have been obtained by the Auditor during the audit. There were no other satisfactory audit procedures that Auditor could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements. Therefore, the disclaimer opinion on going concern has been concluded by the Auditor.

There was no disagreement between the management of the Company and the Auditor regarding the Disclaimer, considering that the consolidated financial statements have been prepared by the management on a going concern basis, the validity of which depends on the outcome of the measures under management's assumptions, which are subject to multiple uncertainties. In all other respects, in the opinion of the Auditor, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Action plan to address the Disclaimer

Certain measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

(i) In relation to the secured and non-secured bank borrowings which contain cross default clause, the Group is actively negotiating with the lenders for the waiver of the relevant clause.

(ii) The Group is identifying and negotiating with potential investors to invest in various projects undertaken by the Group.

(iii) The Group is in active negotiations with certain potential buyers for disposal of certain commercial properties of the Group.

(iv) The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustment and containment of capital expenditures.

(v) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceed so as to generate adequate net cash inflows.

(vi) The Group has uncommitted project loan facilities and other general facilities which can provide sufficient funding for the Group's project construction payments or other project related payments such as compensation for residential demolition of urban redevelopment projects. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations.

(vii) The Group will also continue to seek for other alternative financing, such as equity financing to finance the settlement of its existing financial obligations and future operating expenditures.

(viii) The Group will continue to reach an amicable solution with settlement proposal to the litigations which have not yet reached a definite outcome at the current stage.

At the same time, the Group will continue to follow up on the debt restructuring that has not yet been completed. As of the date of approval of the consolidated financial statements, the progress is as follows:

(i) The Company has been working closely with its legal and financial advisors and the JPLs to formulate a viable debt restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all shareholders. Over the past few months, the Company, its respective creditors and advisors have been engaged in construction discussion towards a consensual debt restructuring.

(ii) On 29 September 2023, the Group entered into the RSA with respective creditors in relation to the terms of the debt restructuring. The contemplated debt restructuring is intended to (a) provide the Company with a long-term, sustainable capital structure; (b) allow adequate financial flexibility and sufficient runway to stabilise the business; and (c) protect the rights and interests, and maximise value, for all shareholders. The proposed debt restructuring effective date is yet to be determined and it is subject to the approval by the requisite majorities of the relevant Scheme Creditors and pending approval at the scheme meetings of the Scheme Creditors and sanction by the Bermuda Court and the High Court of Hong Kong.

(iii) The proposed debt restructuring schemes entitle the relevant Scheme Creditors to exchange their existing debt claims to notes of six or seven year of maturity (the "**Scheme Notes**") or amended medium-term bonds with maturity date extended for ten years. The Scheme Notes and amended medium-term bonds may be repaid, redeemed, settled and/or offset prior to their respective maturity dates through any or all of the followings: (a) debt-to-equity swap; (b) specified assets disposal; (c) special purpose vehicle debt-to-equity swap; and (d) liquidated specified assets disposal. Details of term of Scheme Notes and amended medium-term bonds are set out in the Company's announcement dated 29 September 2023.

(iv) Together with the JPLs, the Group has always maintained active communication with its creditors, and strived to obtain support from a sufficient number of relevant creditors to join and sign the RSA as soon as possible, so as to complete the relevant legal procedures for implementing the proposed debt restructuring schemes as soon as possible. The directors are positive in obtaining the requisite support of the Scheme Creditors and completing the proposed debt restructuring schemes.

The directors of the Company believe that the current plans and measures are the most commercially practicable plans and measures in addressing the Group's liquidity matters and going concern. The directors and the management of the Company will focus on the current plans and measures and the implementation thereof, while keeping viable options open as they continue their efforts in addressing the going concern issue and Disclaimer.

Impact of the Disclaimer on the Company's financial position

Should the Group fail to achieve the above-mentioned plans and measures and complete the proposed debt restructuring schemes, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2023.

REMOVAL OF THE DISCLAIMER OF OPINION

As described in note 2.1(c) to the consolidated financial statements, the management of the Company has been undertaking a number of plans and measures and followed up the proposed debt restructuring to improve the Group's liquidity and financial position and to restructure the existing borrowings. The above-mentioned plans and measures have been fully discussed with the Audit Committee and the Auditors. Contingent on the aforementioned plans and measures having a successful or favourable outcome, the Company expects that the Disclaimer of Opinion can be removed in the following year's audit of the Company (i.e. the audit for the financial year ending 31 December 2024). The Auditor's concern including but not limited to the status and development of (i) the Group's various defaulted borrowings; (ii) the Petition; and (iii) the progress of the Debt Restructuring Proposal. When the Group is able to resolve each of these matters to a satisfactory level, the Auditor will consider the removal of the Disclaimer of opinion in the coming audits of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2023 financial statements, in compliance with the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited. However, please note the following issue:

Code Provision C.2.1 – Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company is not separated as required but is currently dually performed by Mr. YU Pan, since 2004.

In order to set out clearer division of responsibilities at the board level and the management team to ensure a more proper segregation of the management of the board of the Company and the management of the Group's business as required pursuant to the code provision C.2.1 in Corporate Governance Code as set out in the Appendix C1 to the Listing Rules, Mr. Yu resigned as the chief executive officer of the Company with effect from 13 April 2023 while remains as an executive Director of the Company and the chairman of the Board to provide his valuable insight and perspective to the Board. Mr. Jin Zhifeng has been appointed as the CEO with effect from 13 April 2023.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix C3 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

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

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

DIVIDENDS

No dividend for the year ended 31 December 2023 has been proposed by the Board of the Company.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The Company's annual results for the year ended 31 December 2023 has been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee noted that the Board and the management have been working closely with the joint provisional liquidators and its advisors to complete the proposed debt restructuring schemes aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. The Audit Committee has reviewed and agreed with the Board's position after discussion with the independent auditor.

SCOPE OF WORK OF MOORE CPA LIMITED (FORMERLY KNOWN AS "MOORE STEPHENS CPA LIMITED")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of 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 independent auditor, Moore CPA Limited ("**Moore**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Moore on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Basis for Disclaimer of Opinion

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements

As disclosed in Note 2.1(c) to the consolidated financial statements, during the year ended 31 December 2023 , the Group incurred a net loss of approximately RMB3,854,026,000. As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB5,056,966,000 and RMB2,194,794,000, respectively, the Group's total bank and other borrowings (collectively the "**Borrowings**") amounted to approximately RMB12,620,489,000, out of which approximately RMB7,732,814,000 are due within 12 months as of that date. In addition, as disclosed in Note 2.1(c) and Note 27 to the consolidated financial statements, the Group had certain default or cross-defaulted relating to certain Borrowings with an aggregate amount of approximately RMB7,083,728,000 as at 31 December 2023. As at 31 December 2023, the Group had total commitments of approximately RMB6,593,387,000 as disclosed in Note 36 to the consolidated financial statements, while the Group had total bank balances and cash (including restricted cash of approximately RMB210,811,000) of approximately RMB263,505,000. In addition, the Group has been and is being sued by various parties for various reasons for which the Group has further made provision for litigations as disclosed in Note 37 to the consolidated financial statements and was recorded in the current liabilities as at 31 December 2023.

In order to protect the fair and reasonable interests of all the Company's creditors, the Company had made an application with the Supreme Court of Bermuda ("**Bermuda Court**") for appointment of "light touch" provisional liquidators and presented a winding-up petition. Upon the hearing at the Bermuda Court on 15 August 2022 (Bermuda time) of the said application, an order in favour of the Company was granted, the joint provisional liquidators were appointed on a light touch approach with limited powers for restructuring purposes.

In addition, during the year ended 31 December 2023, certain banks in Hong Kong and in the PRC had initiated certain legal actions against the Group in respect of bank borrowings. The legal procedures of the enforcement have not been completed as at 31 December 2023. Details of which are disclosed in Note 2.1(c) to the consolidated financial statements.

During the year ended 31 December 2023, the Group entered into a restructuring support agreement (the "**RSA**") with respective creditors, up to the date of approval of the consolidated financial statements, the proposed debt restructuring schemes are yet to be approved by the requisite majorities of the relevant creditors (the "**Scheme Creditors**") and pending approval at the scheme meetings.

The above situations indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in Note 2.1(c) to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account certain plans and measures. The validity of the going concern assumption is dependent on the successful and favourable outcomes of these plans and measures being undertaken by the management of the Company, which are subject to uncertainties including (i) successful completion of the proposed debt restructuring schemes; (ii) successful negotiation with banks for the waiver of cross default clause; (iii) successful identification and negotiation of potential investors to invest in various projects undertaken by the Group; (iv) successful disposal of certain commercial properties and timely collection of sales proceeds; (v) successful implementation of the measures to accelerate the pre-sales and sales of properties under development and properties held for sales and timely collection of the relevant sales proceeds and control the administrative costs and capital expenditures; (vi) settlement of the outstanding litigations regarding overdue secured bank and other borrowings and successful sale of pledged properties or charged shares to repay the defaulted loan; and (vii) successful obtaining and other alternative financing. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

However, in respect of the assumption regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company and the development of the events, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

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

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore as auditor of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.skyfame.com.cn) and The Stock Exchange of Hong Kong Limited (https://www.hkexnews.hk). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company (if requested) and published on the aforesaid websites in due course.

By order of the Board
Skyfame Realty (Holdings) Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
YU Pan
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. YU Pan (Chairman) and Mr. JIN Zhifeng (Chief Executive Officer); one non-executive Director, namely Ms. WANG Kailing; and three independent non-executive Directors, namely Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu.